



# राजपत्र, हिमाचल प्रदेश

## (असाधारण)

हिमाचल प्रदेश राज्य शासन द्वारा प्रकाशित

शिमला, वीरवार, 30 दिसम्बर, 2004/9 पौष, 1926

हिमाचल प्रदेश सरकार

INDUSTRIES DEPARTMENT

NOTIFICATION

*Shimla-2, the 30th December, 2004*

**NO. Ind. A(F)6-7/2004.**—In supersession of this Department notification No. Ind. A(E)5-1/98 dated 31st March, 1999 and all subsequent notifications, issued from time to time issued in this behalf, the Governor, Himachal Pradesh is pleased to notify "Industrial Policy Rules Regarding Grant of Incentives, Concessions and Facilities to Industrial Units in H.P. 2004 and H.P.—Industrial Renewal and Revival Scheme, 2004" as appended herewith.

By order,  
Sd/-

*Pr. Secretary.*

**GOVERNMENT OF HIMACHAL PRADESH  
DEPARTMENT OF INDUSTRIES  
INDUSTRIAL POLICY—2004**

**1. INTRODUCTION :**

1.1 The Government of Himachal Pradesh recognizes the importance of an emphatic Industrial Policy statement as an extremely effective instrument to boost the confidence of investors and catalyse industrial expansion in our State. This Policy is therefore intended to lucidly express the State Government's vision and approach towards industrial sector. This policy also intends to specifically announce the State Government strategy to address a wide range of macro policy issues aimed at boosting investment climate in the State by way of creating and upgrading the existing infrastructure, rationalizing the provision of incentives, concessions and facilities as well as streamlining rules/procedures having a direct impact on investment flows to the State. The Policy Statement also intends to focus on specific micro factors affecting the overall investment climate in the State such as technology upgradation, quality improvement and productivity, so that industrial units set up in the State can effectively compete and keep pace with global standards.

1.2 The Liberalisation era that the Country is now witnessing has spurred an intense, inter-State competition to attract industrial investments. This calls for the State Government to play an increasingly proactive role as facilitator of industrial development. This necessarily requires benchmarking of our policies and approach to industrialization with not only the best in the country but with world class standards, particularly if we are to target at attracting both domestic and foreign direct investments. We, therefore, recognize the need to continuously scan and review the practices followed by more progressive States in the Country and fine tune it with our approach, strategies, and policy so as to keep in tandem with the rapidly changing economic environment, domestically and internationally. This Policy statement is a reflection of the Government's commitment to overall economic development of the State by continuously responding to the dynamic economic forces and carving out a niche in the national economy by responding to changing times and needs.

**2. OBJECTIVE AND AIMS OF THE POLICY : -**

**2.1 This policy intends to:**

- Serve as a guideline for achieving the objective of uniform growth of industry and service sector throughout the State.
- Disperse industries and service sector activities.
- Cull together ingredients of a Industrial Policy so as to facilitate generation of employment opportunities for local resource owners and stakeholders.
- Clearly State Government's commitment and approach to the development of key infrastructural sectors like Power, Housing, Social Infrastructure Development, Human Resource Development and Vocational Education so as to create a congenial investment climate for existing industry to grow as well as to attract further investments in the State.
- Clearly spell out Industrial Incentives of fiscal nature.



- Specifically address the issues impeding industrial growth such as procedures for setting up of industry, obtaining permissions required under various Labour Laws, addressing issues related to Transportation of industrial produce so as to lay the foundation of strong and consistent growth of the industrial sector.

### 3. CURRENT SCENARIO :

3.1 Till 1977-78 there were only about 5700 SSI units and about 10 Large and Medium units employing just a few thousand people. As on 31-03-2004 there are 30839 Small Scale Industrial Units wherein an investment of about Rs. 746.85 crores is involved and employment opportunities to about 1.34 lac people have been generated. The State has been able to attract modest level of investment in the Large & Medium Sector. In this sector 211 large & medium scale units with investment of about Rs. 2413 crore have already been set up in the State in which employment to about 30585 persons has been provided.

**TABLE-1**

**Table showing growth of industry in H. P. since 1990-1991**

Year	No. of M&LS Industry	No. of SSI	Total Investment (Rs. in crores)	Emp. (No.)	%age increase Investment	% increase (Emp.)
Upto 90-91	110	20545	351.38	101352		
91-92	112	21518	446.38	105277	27.04	3.87
92-93	114	22440	554.28	109324	24.17	3.84
93-94	121	23265	754.53	114603	36.13	4.83
94-95	129	24121	1173.67	119812	55.55	4.54
95-96	147	24845	1912.50	125736	62.95	4.94
96-97	160	25617	2081.01	130560	8.81	3.83
97-98	173	26378	2549.92	136100	22.53	4.24
98-99	174	27253	2649.84	140594	3.92	3.30
99-00	182	28045	2902.05	148548	9.52	5.65
00-01	188	28731	2954.03	151792	1.79	2.18
01-02	193	29479	3060.06	156296	3.59	2.96
02-03	196	30176	3087.83	159694	0.91	2.17
03-04	211	30839	3160.04	164225	2.34	2.84

A perusal of this Table indicates that the flow of investment in the State increased significantly in the 90's. This was more so from the year 1991-92 till the year 1995-1996. Since then there has been a decrease in the flow of investments as the rate of increase in the flow of investments has fallen significantly. This has necessitated initiating certain measures so as to give a boost to the flow of investments by introducing certain policy interventions so as to create a suitable investment climate in the State.

TABLE-2

## District-wise group-wise details of units in Medium &amp; Large Scale Sector

Total No./Group	Solan	Sirmour	Kangra	Una	Shimla	Bilaspur	Mandi/ Kullu	Total
1. Food Products	19	2	6	2	—	1	—	30
2. Beverages	4	1	—	1	—	—	1	7
3. Textile/Spinning	22	1	—	1	—	—	—	24
4. Chemical & Chemical Products	22	7	—	1	—	—	1	31
5. Engineering	13	—	—	—	—	—	—	13
6. Non Metallic Mineral Products	2	—	—	—	—	—	—	2
7. Electronics	25	2	—	—	4	—	—	31
8. Steel & Steel Products	22	10	—	3	—	—	—	35
9. Paper & Paper Products	11	5	—	2	1	—	—	18
10. Cement	3	3	—	—	—	2	—	8
11. Leather & Leather Products	2	—	—	—	—	—	—	2
12. Ceramic	1	—	—	—	—	—	—	1
13. Plastic Products	7	2	—	—	—	—	—	9
Total	153	33	6	10	4	3	2	211

From this table it emerges that Solan and Sirmour districts have attracted the largest number of Medium and Large scale units in the State. This is followed by Una and Kangra districts. There is very insignificant presence of investments in the medium and large scale sector in other areas of the State which necessitates policy interventions to attract such investments in the hinterland areas of the State also. In addition it also emerges that significant level of investments have been made in the Textile/Spinning, Food Products, Electronics, Steel and Steel Products, Chemical and Paper industry in the State.

**TABLE-3**  
**District-wise details of units in Small Scale Sector**

Sl. No.	District	No. of units	Investment (Rs. in Crores)	Employment
1.	Bilaspur	1960	30.18	7158
2.	Chamba	1546	22.41	5451
3.	Hamirpur	2383	37.57	8693
4.	Kangra	8126	151.10	35190
5.	Kullu	2099	36.15	10412
6.	Kinnaur	520	3.62	1596
7.	Lahaul & Spiti	551	2.47	1483
8.	Mandi	3110	68.85	12593
9.	Shimla	2867	45.83	10535
10.	Sirmour	2384	96.39	10818
11.	Solan	2810	184.18	19077
12.	Una	2483	68.11	10634
	Total	30, 839	746.86	133640

#### 4. INFRASTRUCTURE DEVELOPMENT :

##### 4.1 Industrial Areas/Industrial Estates in Himachal Pradesh :

Industrial areas are being presently developed and maintained by the Department of Industries itself and through agencies like Himachal Pradesh State Industrial Development Corporation and Himachal Urban Development Agency (HIMUDA). Off late, Industrial Areas located in the border areas adjoining Punjab, Haryana, Chandigarh, Uttranchal and Jammu and Kashmir have attracted a large number of projects. This is especially so in case of Industrial Areas of Baddi, Barotiwala, and Parwanoo in Solan District, Mehatpur, Tahliwala and Amb in Una District, Paonta Sahib and Kala Amb Industrial Areas in Sirmour District, Sansarpur Terrace in Kangra District and Golthai in Bilaspur District. Over 90% of the investments in the medium and large Scale sector in pipeline and projects coming up in Himachal Pradesh are being implemented in these locations. Baddi, Barotiwala and Nalagarh area in Solan District has come up as an attractive destination especially for Textile, Pharmaceutical, and Packaging industry. The State today has a significant prescence of the total textile and pharma industry manufacturing capacity of the country and has established itself as a proven destination for textile, Pharma, Food Processing, Engineering, Paper, White Goods Manufacturing and Packaging industry. The State Government has already developed 29 industrial areas and 9 industrial estates with all basic amenities like Roads, Power, Sewerage, Water and Communication etc. One Growth Centre with an estimated cost of Rs. 22.00 crores is being developed at Sansarpur Terrace on an area of about 1000 acres in District Kangra. The State has also implemented a prestigious project of Export Promotion Industrial Park at Baddi with an investment of Rs. 20 crores. This project has been sponsored by Government of India, Ministry of Commerce and Industry.

4.2 The list of Industrial Areas and Estates indicating their category as per 1999 incentive Rules is as follows :

District	Industrially Backward Area		Industrially Developing Area	
	Industrial Area	Industrial estate	Industrial Area	Industrial Estate
Bilaspur	(i) Bilaspur (ii) Golthai			
Chamba	(i) Sultanpur (ii) Parel (iii) Hatti			
Hamirpur	(i) Hamirpur (ii) Nadaun			
Kangra	(i) Nagrota Bagwan (ii) Sansarpur Terrace (iii) Electronics Complex Nagri (iv) Dhaliara (v) Bhanatari	(i) Kangra (ii) Jawali (iii) Dehra Gopipur		
Kullu	Shamshi			
Kinnaur	Reckong Peo			
Lahaul & Spiti		Keylong		
Mandi	(i) Ner Chowk (Ratti) (ii) Bhambla (iii) Sulikhad (iv) Maigal	Kotli		
Shimla	Electronics Complex, Shoghi	(i) Theog (ii) Pandranoo		
Sirmour			(i) Kala Amb (ii) Paonta Sahib	
Una	(i) Mehatpur (ii) Tahliwala (iii) Amb (iv) Gagret			
Solan			(i) Baddi (ii) Barotiwala (iii) Chambaghat-Solan (iv) Parwanoo	(i) Chambaghat-Solan (ii) Dharampur

## **5. INCENTIVES, CONCESSIONS AND FACILITIES CURRENTLY AVAILABLE TO INDUSTRY IN THE STATE :**

5.1 Availability of incentives and subsidies are important to encourage investment in the State. There are a number of incentives in the form of subsidies, tariff concessions and deferments provided by State Govt. and Govt. of India.

### **5.2 Government Incentives :**

#### **5.2.1 State Government Package :**

Interest subsidy to tiny/small units in priority sector, capital investment subsidy for units being set up in the Priority sector, special incentive for fruit, vegetable and maize based and herbal based units i.e. units based on local raw material, GST exemption and CST at concessional rates, procurement of raw materials at 1% GST, allotments of plots and sheds at reasonable prices/rates in industrial areas and estates, Project specific special package etc. are some of the main incentives/subsidies being offered by the State Govt.

#### **5.2.2 Central Government Package of Incentives :**

In January 2003 the Govt. of India had announced a special package of incentives to Himachal Pradesh. This includes 100% exemption from payment of Central Excise Duty for 10 years, 100% income tax exemption for 5 years and 25% and 30% exemption for the next block of 5 years (for Individuals and Companies), capital investment subsidy @ 15% of investment in Plant & Machinery subject to a ceiling of Rs. 30 lacs, and, enhancement of funding pattern under centrally sponsored schemes like Deen Dayal Hathkargha Protsahan Yojana and Prime Minister Rojgar Yojana. Apart from these, the Central Transport Subsidy is being provided to industrial units @ 75% of the cost of transportation of their finished goods and for transportation of their raw material from the location of their units anywhere in the State to the nearest, specified broad gauge rail head.

5.3 The main objective of these incentives, concessions and subsidies has been to encourage investment in the State, to make or to enable the units to become more competitive, and, to establish them at the initial stages of production. In a hilly State like Himachal Pradesh where the cost of production is higher due to difficult terrain and inadequate industrial infrastructure these subsidies are justified to make the prices and the product competitive with the goods produced by units set up in the neighbouring States. It is in this context that its important to review the existing package of incentive, concessions and facilities so as to spur the growth of Industry uniformly throughout the State and to bring it in line with the felt needs of Industry and the Special Package announced by Government of India for our State.

## **6. POWER FOR INDUSTRY :**

6.1 Availability of quality power in adequate quantities throughout the year at reasonable rates is one of the major strengths of the State. Himachal Pradesh has been endowed with vast hydel power potential. Out of the 21530 MW identified power potential, only about 4000 MW has so far been harnessed/exploited. The Bhakra Project is now generating 1354 MW of power. Similarly, the Beas Satluj Link Project has also been completed, producing 990 MW of power. Simultaneously, other projects too have been completed. This State as a result of the completion of some of the

projects, is generating about 3934.74 MW of hydel power. State Govt. has now opened up power sector to private sector. Besides, Central PSUs such as NTPC and NHPC have also been invited to take up the large projects like Chamera-II, Kol dam and Parbati for execution. With a view to accelerate the process of power sector reforms, the State Govt. has constituted the State Electricity Regulatory Commission. The State Govt. is also encouraging co-operative sector by reserving sites in the small and micro hydel sectors which will involve local community and increase the employment opportunities to local people. By all these efforts the State Govt. plans to get installed capacity addition of 6100 MW by 2010. The State Govt. is vigorously pursuing the execution of hydro-electric projects upto 300 MW through the MOU route with the Govt. of India for speedy actualization of the potential. To maximize the exploitation of power generation potential in the State, Government has taken a number of initiatives, which envisages active participation of the State Electricity Board as well as Private investors. .

6.2 Our objective will be to bring about a qualitative transformation of the electricity sector through a new paradigm, taking into account the complex ground realities of power generation, transmission and distribution scenario and potential of the State. Our State Government is fully committed to effectively implement the new initiatives required in this direction. The setting up of the State Electricity Regulatory Commission by the State Government is a step already taken in this direction.

6.3 Our State Government is committed to reforms in the Power Sector and to step up these reforms, various initiatives are being taken. The State Government will come out with its own Power Policy detailing the road map for reforms in this sector. Our reforms are intended to be broadly based on the principle of encouraging restructuring of this sector based on the criterion of encouraging healthy competition between the utility and service providers, and focusing on a competitive and rational tariff structure for industrial, domestic and commercial consumers. Our approach to reforms would be based on evolving a consensus amongst stakeholders, optimizing use of technical and financial resources and assets of the State and strengthening of regulators.

6.4 Specific attention would also be paid to the grassroot delivery mechanism and reforms in this area given priority. Special priority would be given to 100% Export Oriented Units/Information Technology/Bio-Technology industries/Foreign Direct Investment projects and sectors like tourism for grant of connection depending upon the power availability and the system constraints. Simultaneously electrical installation procedures for power connections would be simplified.

6.5 Emphasis would be laid on providing power connections to those projects of National and State importance and a healthy ratio of power committed to projects as compared to employment generated and investments made will be maintained. Efforts would be made to ensure exemption of industrial units, especially the continuous process industry, EOUs and Agro-based, IT,BT and Food Processing Industries from all power cuts within the system constraints.

6.6 While planning T&D networks in future special emphasis will be laid on creation of dedicated feeders/lines where ever available area wise for ensuring continuous power supply to all existing/proposed industrial areas/estates in the State. Possibilities of eventually privatising the generation and distribution of power for all major industrial areas/estates will also be explored and encouraged.

6.7 No Electricity Duty will be charged on power generated from captive Diesel power stations and permission requirements for captive /generating sets will be made time bound and simplified. Third party sale of surplus captive power available in Industrial Areas/Estates with such power producers can also be allowed on a case to case basis. To sustain high technology industry quality of power will be ensured at reasonable prices to be proposed in a manner so as to enable industry adjust to its impacts. A liberal policy to give permissions to surrender a part of load will also be evolved in a manner suited to the utility provider and industry and minimum charge on contract demand reviewed accordingly. In addition permission for extension of load to existing units would be given priority and would be considerably simplified.

6.8 In future all units registered with the Department of Industries as SSSBE's (Small Scale Service Business Establishments) will be granted Industrial Power connections.

## **7. TELECOM INFRASTRUCTURE FOR INDUSTRY :**

7.1 The importance of communication infrastructure and its role in economic and industrial development cannot be overemphasized. The telecom infrastructure in the State is one of the best in the country. Although Telecom Policy is a subject under the purview of the Central Government, yet keeping in view the important role that communication plays in catalyzing and facilitating industrial development it would be the conscious policy of our State to attract, encourage and facilitate private investment in telecom infrastructure.

7.2 Efforts would be made to ensure that Telecom connections are made available instantly. Efforts would also be made to allow advance bulk booking of telephone connections for new industrial areas so that entrepreneurs can secure connections without delay. Wherever possible, in Industrial areas, the Department of Industries would make land available to the Telecom Department for up-gradation and creation of infrastructure.

## **8. PACKAGE OF INCENTIVES, CONCESSIONS AND FACILITIES FOR INDUSTRIES UNDER THE 2004 POLICY :**

8.1 With a view to encourage investment in our State and to offset the locational disadvantages the State Government has been implementing various Incentive Schemes in tandem with the changing needs and aspirations of Industry. Over a period of time it has been realized that fiscal incentives have invariably led to the creation of inefficient and uncompetitive industry, which has not been able to sustain itself in the long run. In addition, with changes and modifications being introduced in the taxation policy and reforms initiatives like introduction of VAT, incentives to industry need to be looked at afresh. Thus it is imperative that we move towards a policy of gradual phasing out of subsidies. Such initiatives coupled with an increased stress on the provision of quality infrastructure shall help create a conducive environment for industrial growth and attract both foreign and domestic investments.

8.2 The Centre has recently announced a special package of incentives for Himachal Pradesh and Uttaranchal, broadly along the lines of Jammu and Kashmir. It provides for concessions aimed at attracting new investments to these States. It will be a conscious policy of our Government to supplement this package with certain concessions and facilities from the State Government so as to ensure sustainable industrial development in the long run.



8.3 A new set of Rules to govern incentives, concessions and facilities will be announced as a part of this Policy which will remain operative till the next Rules governing the incentives, concessions and facilities are announced or these rules amended. It is a conscious attempt of the State Government to phase out all tax-based and other fiscal incentives (deferrals/exemptions etc.) over a period of time keeping in tune with the changing economic scenario of the country and ground realities. While doing so, efforts will, however, be made to enable existing units to avail of the incentives they are already availing for the periods they are entitled to.

8.4 In order to assure local industry with adequate back-up of Government in international markets and to encourage setting up of innovative industry based on local skills, local raw materials and employing local people, the State Government would give fiscal incentives to Companies set up and having their registered offices in H.P. for patenting their inventions and its commercialization, especially for activities such as drafting the patent application, filing the patent application in India, filing the patent application in Patent Tribunals, prosecution of the patent application outside India, maintenance fee of the granted patent application, and obtaining non-infringement opinion. Fiscal incentive by the State Government would also be provided to such companies so as to meet with the fees charged by established private lawyers/law firms located within the country having a reference from any Ministry/Deptt. of Government of India of having successfully assisted such Companies in the country.

## **9. SIMPLIFICATION OF RULES/PROCEDURES :**

9.1 To facilitate entrepreneurs in setting up of units and to help them comply with the applicable rules and regulations, Government will considerably simplify its Rules and Procedures. Government intends to provide maximum freedom to operate to the entrepreneurs so as tap the full potential of industry.

9.2 The State Government has already set up a State Level Single Window Clearance and Monitoring Authority under the chairmanship of the Chief Minister to consider and give Government approvals in principle to the medium and large scale projects in the State and to ensure optimum Inter-departmental co-ordination. The State has also set up Single Window Agencies at major industrial towns like Parwanoo, Baddi, Paonta Sahib, Galthai and Sansarpur Terrace to facilitate speedy clearances and assist entrepreneurs in obtaining various clearances to set up their projects. More such agencies will be set up in other industrial areas and estates in the near future. The State Government through these Single Window Agencies will not only ensure initial approvals to set up the project, but also look into the requirements of obtaining further licenses necessary to commence production. It will also assist in obtaining all necessary State Government Departments related approvals from the concerned Departments. To facilitate clearances and monitoring of projects in the State and to make it transparent and user friendly, these Agencies will be actively encouraged to use IT in their working and discharge of their functions. The services being offered by these Agencies would be adequately highlighted through Industrial Associations and fora like PHDCCI, FICCI, ASSOCHAM, CII, etc. as channels for providing information to industry. The State Government would actively consider preparing and finalizing a separate framework for effective implementation of the Single Window System with a view to make Single Window Clearances a statutory requirement.



9.3 The State Government is committed to ensure effective implementation of measures aimed at ensuring time bound clearances of projects by various Government Departments and to make the process of project clearances simple, transparent and accountable. Effective monitoring of clearances pertaining to release of power connections, issue of NOCs by the State Pollution Control Board, site approval by Labour Department and any other specific clearances on a case-to-case basis will be ensured and monitored through these Single Window Agencies at the State and local level.

9.4 The State Government will evolve a standard of "best practices" in Government Departments involved at the delivery end such as the State Electricity Board, Labour Department, Department of Excise and Taxation, Department of Industries, Department of Town and Country Planning, Department of Revenue, State Financial institutions and other concerned Departments and Agencies which are involved in the process of setting up of industry.

9.5 Clearances for Small Scale Projects will be granted across the table. However in cases pertaining to Forest based industries, projects requiring more than 1 MW of power and Industries listed as negative industry by Government of India or the State Government will need to be cleared, after detailed evaluation and consideration, by the State level Single Window Clearance and Monitoring Authority. Rules of the concerned Departments would be amended so as to ensure time bound decisions and approvals for industrial units being set up in the State.

#### **9.6 Planning and Development of New industrial Areas and Land Policy :**

The State Government will actively encourage development of state of the art Industrial Areas, through its agencies like the Industries Department, Himachal Pradesh State Industries Development Corporation, Himachal Pradesh Housing and Urban Development Agency, Area Specific Development Agencies to be set up in potential locations themselves or through Public-Private-Participation mode as also through exclusive participation of private investors. These Industrial Areas will be self contained Industrial Areas equipped with modern basic amenities, well planned taking into account future expansion needs, have high quality infrastructure like roads, power, water, telecom, sanitation, effluent management and disposal, housing and other social amenities etc. Such projects will be given top priority and time bound clearances ensured. Preference will be given to develop activity specific Industrial Areas like Food Parks, Electronic City, Export Processing Zones, Export Promotion Parks, Bio-Technology parks, Information Technology Parks, Textile Clusters, Pharma Clusters Housing, Labour Colony, Business Centres multiplexes etc. throughout the State, especially in the areas away from the border areas of the State and procedure for approval of the State Government under Section 118 of the Himachal Pradesh Land Reforms and Tenancy Act will be simplified and approval process expedited. Top priority will also be given to link such existing Industrial Areas and new clusters with 'A' class quality road to provide efficient inter-State and intra-State connectivity.

#### **10. CLEARANCES BY THE STATE ENVIRONMENT AND POLLUTION CONTROL BOARD :**

10.1 The State Environment and Pollution Control Board will specifically streamline its procedures for the grant of NOC required prior to the setting up of the project and clearances required after the project has been set up. For Thrust industries, and other Specified industries, as

identified by the Government of India in its package dated 7th January, 2003 for the State of H.P. and for other such industries identified as Thrust industries by the State Government in its incentive package under this policy, NOC required prior to the setting up of such projects would be granted after adhering to the statutory procedure and within 15 days of completion of the statutory processes and receipt of complete application.

10.2 The State Environment and Pollution Control Board will draw up a list of SSIs and Medium and Large Scale projects, and terms and conditions to be complied with which would be exempt from applying for NOCs/consents.

## **11. TOWN AND COUNTRY PLANNING :**

11.1 The State Government is fully conscious of the need to catalyse the urban rejuvenation process—especially in areas of industrial concentration. This would require strengthening of urban local bodies and accessing various Central Government schemes for urban sector reforms including setting up of waste management systems with active involvement of the private sector. Special focus would be laid on creation of Area Specific Statutory Development Agencies which would be entrusted with the task of managing urban growth in areas of their jurisdiction and for ensuring creation and strengthening of planned growth of social, housing, health, commercial and other related infrastructure. Nodal cities will be identified and peripheral towns developed within a specified radius by these statutory agencies.

11.2 A scheme of self certification for industrial units would be started where approvals for industrial building maps, including approval of building plans of plot sizes to be specified would be automatically deemed to have been given, provided the units certify themselves that they have adhered to the basic norms prescribed by the Town and Country Planning Department/ HPSIDC/Department of Industries.

## **12. REFORMS :**

### **12.1 Issues related to reforms in the Labour Department :**

#### **12.1.1 Annual Inspections :**

With a view to reduce and abolish the number of inspections to the extent possible under various Act and laws, a scheme for self certification would be started for Industrial Units in H.P. Inspections where felt necessary in Public Interest will be carried out after prior approval of the specified authorities only and would be undertaken to investigate only written complaints, press reports, issue of consent and approvals or their renewal, and cases where legal proceedings necessitate such inspections. In case of written complaints, being investigated a copy of the complaint would also be furnished to the management. Adequate emphasis will be laid on attitudinal changes of the delivery institutions so as to minimise harassment of the entrepreneurs.

#### **12.2 Maintenance of Registers :**

The maintenance of registers under different labour laws would be rationalized and simplified keeping with the statutory requirements.

A single Muster and Attendance roll meeting with the requirements of Factories Act, Minimum Wages Act and ESI Act would be implemented.

A single Register of wages wherein all the information required under Registers of 'Fine', 'Advance', 'Leave' and 'Damage or Loss' would also be introduced. Similarly, a single Accident-register would be specified keeping in mind the requirements of the provisions of the Factories Act and ESI Act.

A single Inspection book for all inspections to be done by any State Government departmental authorities would be introduced.

### 12.3 Filing of Returns :

With the objective of eliminating confusion due to similar details being filed in different forms and similar titles, the Return Forms under various statutes will also be considerably reduced and where possible dispensed with. Thus, different Return Forms will be consolidated into a single booklet. Wherever possible the information required under different formats will be consolidated in the format of a Master Return which could then be used for filing of returns under various labour Laws.

### 12.4 Labour Reforms :

Keeping in view the rapid rate of obsolescence and need to adopt new technologies in order to survive in the competitive environment, it is imperative to liberalize the requirement under the provisions of Section 9-A of the Industrial Disputes Act, 1947 which provides for Notice for change under Section 9-A. Thus the State Government in exercise of the powers under Section 9-B of the Act, would liberalize the application of provisions of Section 9-A.

12.5 According to Section 23, applicable in the case of industries, which are not Public Utility Services, in terms of Section 2 (n) read with the 1st schedule, workmen can go on lightning strike even without a single day's notice, and also when the Conciliation Officer has already commenced the conciliation proceedings. Section 40 (1) empowers the Government to add industries in the 1st schedule, by a simple notification in the official gazette. The State Government, through this process, has amended the 1st schedule, from time to time. The State Government would add continuous process industry, IT industry, BT industry, hazardous industry and export-oriented industry to the 1st schedule. It would, therefore, require workmen to give 14 days notice before going on strike so that the Conciliation Officer may induce the parties to come to a fair and amicable settlement of the dispute.

12.6 Delay in granting permission under Chapter V-B hampers the management efforts to regain health of the sick unit by trimming the extra labour force, and may even lead to its ultimate closure. Such an outcome harms workers the most, who fail to get even their statutory dues. Permission in deserving cases under Chapter V-B would be given by the Labour Department within 30 days.

12.7 With the objective of facilitating Exports and meeting the supply deadlines the State Government by exercising its powers under Section 65(2) of the Factories Act would grant exemption to all EOUs from the provisions of Section 51, 52, 54 and 56 of the Act. This would enable such units to increase its working hours from 48 to 60 per week (Section 51), from 9 to 11 per day (Section 54) and Spread Over from 10.5 to 13 hours per day (Section 56).

12.8 The State Government would exercise its power to facilitate two-shift operation with women workers to enable women workers to work in the night shifts also and beyond the prescribed working hours under Section 66 (1) (b), of the Factories Act. This would, however, be done on the condition that the management would make adequate transport, safety and security arrangements for women workers.

12.9 The Contract Labour (Regulation and Abolition) Act, 1970 Licensing & Registration as required under this Act would now be also done at the district level in a time bound manner and within 30 days of applying for registration and license. In the event of a contractor being changed for a permissible activity, a mere intimation to this effect will now be required and the earlier procedure of applying for amendments in the registration certificate would be discontinued. Contract Labour provided they are bonafide Himachali's would be permitted Under Section 10 of the Contract Labour (Regulation & Abolition) Act, 1970 in solid waste disposal units, 100% EOU's, IT units, BT units and non-core activities like cleaning, security, gardening, loading/unloading etc subject to the condition that minimum wages would be applicable to such contractual labour or employment through any other mode.

12.10 The State Government would also consider on a case-to-case basis allowing enhanced freedom to employ contractual labour to the industrial units under the Contract Labour (Regulation & Abolition) Act, 1970 as follows provided people so employed are bonafide Himachali's :

- ◆ Where Minimum wage is paid, no special freedom would be allowed.
- ◆ Where double the minimum wage is paid, upto 10% of the total labour employed on permanent basis by the unit would be allowed on contract basis.
- ◆ Where triple the amount of the minimum wage is paid, upto 20% of the total labour employed on permanent basis by the unit would be allowed on contract basis.
- ◆ Where five times the minimum wage is paid, exemption from Chapter V-B and upto 50% contract labour would be allowed on contract basis.

#### 12.11 Minimisation of Records :

Minimum wages for unskilled and temporary workers would be fixed in accordance with the skills and the market demand from time to time. Efforts would be made to reduce the number of schedules under the Minimum Wages Act. Only the lowest scale of minimum wages (i.e. for unskilled workers) would now be stipulated in these schedules.

#### 12.12 Factories Act, 1948 :

The process of obtaining prior approval of factory building plan from the Chief Inspector of Factories would be made time bound and within 15 days of submission of such plans.

### 13. MISCELLANEOUS :

#### 13.1 Use of IT in Industry :

The use of Information Technology will be increasingly encouraged so as to enable industry to participate in the global trade and production processes, for alleviating information poverty of products, markets, and cleaner production technologies, for enhancing competitiveness, improving organizational management, as well as improving Government Industry interface. Government Departments with whom the industry interface is maximum like the Department of Industries,

Department of Excise and Taxation, Power Department, HPSEB, Department of Town and Country Planning, Labour Department etc. will be computerized to facilitate on line transactions and processing of approvals. Directorate of Industries would now also provide an on-line interface with Industry through a web site so as to receive and dispose off applications received from entrepreneurs as well as make other related information available on the policies, programs of the department to the prospective entrepreneurs. The Departments having maximum interface with industry like the Pollution Control Board, Labour Department, HPSEB, Excise and Taxation, Revenue Department will also explore the possibilities of setting up Call Centres and Facilitation Centers by outsourcing this activity in a phased and a time bound manner.

### **13.2 Escort Services :**

A Special Escort Services would be provided by the HPSIDC on payment basis to escort prospective entrepreneurs and help them obtain necessary approvals and clearances. The HPSIDC will also create a data bank of information to help the industries in processing projects, identifying technologies and relevant services available.

### **13.3 Manufacturing Competitiveness and Productivity :**

The State Government besides actively encouraging Industry in general would be focusing on obvious winners in the manufacturing sector such as light engineering, textiles, auto and auto ancillaries, chemicals and pharmaceuticals. The State Government would actively support Research & Development and modernisation of existing units including initiatives aimed at strengthening the testing and calibration facilities by Industrial Associations and reputed specialized agencies. Efforts would also be made to formally link existing R & D institutions and specialized Technical Training Institutions, ITIS, Polytechnics and Engineering Colleges with various facets of industry so as to provide students the opportunity of technical training, summer on the job training, campus interviews, technology development of industrial projects, and their subsequent absorption in industry.

## **14. TRANSPORTATION MANAGEMENT :**

14.1 State Government will ensure that the Truck Operators Unions do not prevent free play of market forces in areas of their jurisdiction and evolve an efficient mechanism on competitive rates so that transportation of raw material and industrial products is smooth and on competitive rates.

14.2 Government would facilitate creation of a conducive environment of mutual appreciation and trust at the grass root levels between Industry and Transport Unions and encourage regular dialogues between them so as to solve contentious issues at the local level.

## **15. ENCOURAGING AGRICULTURE/HORTICULTURE/FLORICULTURE AND OTHER ALLIED SECTORS RELATED SPECIFIED ACTIVITIES :**

15.1 Agriculture and specifically Horticulture is the backbone of our State's economy. It would be the effort of the State Government to consciously plan activities focused on value addition of the Agricultural and Horticultural produce of the State and focus on this activity as an engine of industrial growth especially in rural areas of the State.

15.2 Emphasis would be laid on development of Agribusiness by a positive shift from Agriculture to Agribusiness so as to ensure that economic and commercial activity moves to the villages at a greater pace.

15.3 Emphasis would be laid on revamping extension services, reduction of wastages, value addition at each level of fruits and vegetables suitable for food processing industry, rationalization of various taxes such as purchase tax, mandi tax, market fees etc., linking of mandis with each other and larger markets through use of IT and development of a national Grading Code.

15.4 The objective of the State Government would be to minimize wastages of the Agri-Horticulture produce of the State by encouraging setting up of post management harvest infrastructure and to create value addition facilities at the farm gate and as near as possible to the source of production.

15.5 For the first time under the State Industrial Policy, setting up of post harvest management infrastructure like, setting up of cold storages, mechanized packing houses, mechanized grading houses, setting up of ropeways exclusively for the transportation of locally produced Agriculture and Horticultural produce, setting up of Servicing Centres to render farm related management services and services such as maintenance of farm equipment and machineries will be treated as activities eligible for a specific package of incentives and concessions under this policy.

15.6 Government will also consider amendment of the State Excise Act to exclude fruit based wines from its purview. The objective is to encourage production for processing also in addition to producing to meet the demand for Table Varieties and off season fruits and vegetables.

15.7 Setting up of state of the art computerized fruit and vegetable Auction Houses and Certifying Agencies in the private sector will also be actively encouraged with a view to facilitate on-line sale and auction of agricultural and horticultural produce as well as organizing buyers by facilitating their setting up of modern offices in such marts. Incentives will accordingly be offered to such projects.

15.8 Specific incentives will be provided to support the organized private sector in increasing its spending on extension and technology transfer and for lowering the total tax burden on processed food produced in the State.

15.9 Efforts would also be made to encourage Public- Private Partnership (PPP) that enables private investors to invest in agriculture infrastructure in partnership with banks and financial institutions.

## **16. TECHNICAL EDUCATION AND AVAILABILITY OF TRAINED/SKILLED LOCAL MANPOWER FOR INDUSTRY :**

16.1 Setting up of modern educational and technical educational institutions, including boarding schools, colleges and universities, ITIs, Polytechnics, Nursing schools, Pharmacies,



Tourism related institutions, and medical educational institutions having tie up with recognized institutions only will be given priority in the State. The Department of Technical education in consultation with Industries in the State will set up a mechanism of certifying and licensing practitioners of certain identified trades and skills. Such practitioners in identified trades will be licensed so that the investors are assured of the availability of skilled manpower in the State besides assuring employment opportunities to local youth.

16.2 The State Level Single Window Clearance and Monitoring Authority will clear such proposals. Such institutions will be allowed to purchase need-based land for which permission will be given in a time bound manner by the Department of Revenue. The Government may also consider transfer of Government land at a reasonable price to such institutions in public interest.

16.3 Where found necessary and expedient the State Government may also consider legislating setting up of Universities, provided such proposals are received from reputed Educational Societies having adequate and proven financial and educational exposure and expertise. Such institutions will be allowed to purchase need-based land for which permission will be given in a time bound manner by the Department of Revenue. Government may also consider transfer of Government land at a reasonable price to such institutions in public interest. Supply of water and Electricity connections to such institutions will be done on priority.

## **17. SETTING UP OF SOCIAL INFRASTRUCTURE FOR INDUSTRY :**

### **17.1 Setting up of Specialized Health institutions :**

The State has an ideal climate for setting up of Specialized Health Institutions. Such specialized institutions including institutions practicing Ayurveda, Homeopathy and Tibetan school of medicines would also be encouraged to be set up in the State provided they meet and comply with the standards/guidelines laid down by authorized regulatory bodies and are recognized by concerned apex agencies of State Government and Government of India. Such units will require to be cleared by the State Level Single Window Clearance and Monitoring Authority. Such institutions will also be allowed to purchase need-based land for which permission will be given in a time bound manner by the Department of Revenue. Government may also consider transfer of Government land at a reasonable price to such institutions in public interest. Supply of water and electricity connections to such institutions will be done on priority.

### **17.2 Housing :**

With a view to contain indiscriminate growth of existing urban clusters and to ensure availability of adequate housing in new areas emerging due to setting up of industry and related commercial activities, emphasis would be laid on ensuring creation of adequate housing facilities of various categories, including industrial labour. Specific areas will be demarcated around such industrial clusters where housing infrastructure could be created both in the government and private sector. Permission for purchase of land for captive housing would be given in a time bound manner for purchase of land to the industrial units set up in the State. Similarly supply of power and water to such housing complexes would be made on priority. Industries would be actively encouraged to tie up

with local adjoining panchayats and villages for arranging captive accommodation by helping such villagers augment their accommodation so as to cater to the specific needs of the workers who could be housed in such units.

### 17.3 Entertainment Industry :

The State has a vast potential for development of the Entertainment Industry. The State Government would actively encourage setting up of modern state of the art filming and recording studios using IT in the State. Efforts will also be made to rope in established film studios of the country to set up such studios in the State. Such studios would be also offered assistance in the form of single window clearances of the project and preference would be given to such projects to locate these projects in existing properties available and developed by the Dept. of Tourism in the State.

17.4 Multiplexes offering state-of-the-art entertainment, commercial, recreational and other related services will be encouraged in the State. Such complexes which are approved by the State Level Single Window Clearance and Monitoring Authority will be given time bound clearances by the Town and Country Planning Department, concerned Municipal agencies, and given priority in supply of water and electricity connections.

## 18. STATE TAXES :

18.1 Introduction of VAT at the earliest to regulate, administer and improve collection of taxes to be paid by Industry would be top priority of the Government. It would be a conscious effort of the State Government to design the VAT structure which is simple, based on floor rates agreed upon by the adjoining States and which are broad based. The State Government would make all out efforts to get the final draft of the Act approved by the State Legislature within the FY 2004-2005 as also have the draft of the Rules to be made under this Act finalized in advance before implementation so as to enable Industry to get adequate time to adjust to the new regime. For this adequate notice to allow a switchover and adjust to the new VAT regime would be allowed to the Industry. However for selected Tiny Village industries as may be notified by the State Government falling within the ambit of Khadi and Village Industries, may be exempted from the payment of Sales Tax as was the position prior to 10-03-1999.

## 19. HANDLOOMS AND HANDICRAFTS INDUSTRY :

19.1 Himachal Pradesh is known internationally for its handloom and handicrafts produced in various parts of the State. Regrettably, spurious products masquerading as produce of the State have flooded the market, within and outside the State. This has considerably eroded the markets of our local handlooms and handicraft produce including traditional gems and jewelry. With a view to support our traditional industry and also to ensure that these are in a position to exploit their comparative factor endowments, become internationally competitive and have a distinct niche market, it is proposed to create an internationally known and recognised brand for such products by taking advantage of India Brand Equity Fund. A distinct brand which will be called the 'Himachali Utpaad -A Product of Himachal Pradesh' will be actively promoted internationally and could be used for all the handloom and handicraft goods produced in the State using specified raw materials and



techniques of production. The H.P. Handloom and Handicrafts Corporation will act as a nodal agency to promote this brand and to ensure branding of such products produced in the private, cooperative and public sector so to ensure their quality and authenticity.

19.2 The State Government would also actively promote development of Centers of Excellence for Handlooms and Handicrafts and local industries with private participation and help to create linkages with Tourism so as to promote local produce/art & crafts.

19.3 The State Government will also actively encourage adoption of cluster of villages and people engaged in these activities by reputed Export houses, designers of international repute and buying houses. To encourage such linkages the State Government would consider providing project specific, need based assistance and support.

## **20. ENTREPRENEURSHIP/SELF EMPLOYMENT AND EMPLOYMENT TO BONAFIDE HIMACHALIS :**

20.1 The State Government has done exceedingly well in the field of Education. The literacy rate of our State was as high as 77.13 % in 2001. However, this has increased the problem of finding jobs for the educated classes. It would be the conscious effort of the State Government to introduce Business Studies and Entrepreneurship as regular subjects in the Senior Secondary Schools of the State from 9th class onwards for those students not opting for Science streams so as to promote the culture of entrepreneurship and develop budding entrepreneurs in the State.

20.2 The existing Technical Training institutes will be strengthened and each institution will work under a Governing Council, which will consist of representatives of Industry, State Government, and local Zila Parishads. Efforts will be made to encourage Industry to adopt these institutes individually so as to ensure that the vocational and technical training being imparted in these institutes is relevant and strictly in accordance with modern methodologies and parameters.

20.3 The Technical Education Department will create a Data bank and Recruitment Cell for the students of ITI's/Polytechnics and stay in close touch with Industry in the State so as to ensure employment to these students. They will also make a special effort to introduce special industry specific training programmes as may be requested by Industry in these institutions from time to time.

20.4 The objective of the State Govt. is to find a job for every technically qualified student coming out of these institutions every year in the private sector and in units located within and outside the State. To ensure excellence in Technical Education and developing Human Capital, development of Centres of Excellence in Technical Education in the vicinity of manufacturing clusters and active involvement of the private sector would be encouraged. Such centres would impart Employment oriented education, trade-based vocational training beside attracting foreign and external students to get higher/technical education here, so as to ensure that high quality education is imparted and students gain international acceptability. Proposals to set up such centers would be given top priority and clearances given in a time bound manner. Government will also explore the possibility of converting one existing educational institution into a technical and vocational training institution in every development Block in a phased manner.

20.5 Generation of Employment opportunities for local populace, especially the educated, skilled, technically qualified youth of the State is a major objective of encouraging industrialisation in the State. Therefore, the incentives, concessions and facilities provided to industry under this policy are only justified if it contributes in achieving this objective. Incentives, concessions and facilities to the industrial units will be available to the eligible units set up in the State only if it employs at least seventy percent of its total manpower, employed whether on regular/contractual/sub-contractual/daily basis or employment through any other mode from amongst the bonafide Himachalis at all levels in 'A', 'B' & 'C' category of Blocks respectively. The employment condition shall not be applicable to units employing only one employee, located anywhere in the State and in the self-employed ventures where the owner is running the unit without employing any manpower. In case of violation of this condition at any point of time during the period of admissibility of these incentives by any industrial unit, no further incentive will be admissible to the industrial unit and in such an event all incentives already availed by such units will be recovered and the unit will be liable for further stringent action, including the withdrawal of supply of power to such defaulting units.

## **21. SICK UNITS :**

21.1 Emphasis would be laid on prevention of sickness and initiating timely measures for revival of industries. These initiatives could include project specific intervention packages.

21.2 The State Government would provide assistance for generation of diagnostic studies on advice of Reserve bank of India and the concerned Bank/Financial institutions before considering any specific proposal for rehabilitation. Once the finding of the study establishes that the unit could be revived and makes specific recommendations as regards the measures required to be taken, the State Government together with financial institutions involved could consider implementing the relief package. The role of the State Level Inter Institutional Committees in this respect would be focused on initiating timely remedial measures where required. A separate package of concessions and facilities called the Himachal Pradesh Industrial Renewal Scheme, 2004 for rehabilitating such units will also be operationalised. Concessions/relief under this Scheme are in addition to the concessions/reliefs being provided by Himachal Pradesh Financial Corporation and Himachal Pradesh State Industrial Development Corporation Limited to the weak, sick and closed industrial units under their respective schemes of revival/rehabilitation and One Time Settlement of outstanding loans. The State Government shall continue to encourage HPFC and HPSIDC Ltd., to provide such package of relief/concessions/One Time Settlements of outstanding loans to weak, sick and closed industries/borrowers within their approved guidelines as decided by the Board of Directors of these respective Corporations from time to time.

## **22. EXPORTS :**

22.1 Exports will continue to be treated as a special activity and therefore given priority. Conscious efforts will be made to provide Exporting units in the State a level playing field as compared to their competitors within and outside the country.

**22.2** With this objective infrastructure required by exporting units will be strengthened and further augmented especially in the Export Promotion Parks set up in the State.

**22.3** State Government will actively support efforts in the Government or the Private sector for setting up of common facilities like setting up of Inland Container Depots, Bonded Warehouses, Raw Material depots and provision of incentives and concessions for supply of power, labour related issues and taxes.

## **23. TERM LOANS FROM HIMACHAL PRADESH FINANCIAL CORPORATION AND HIMACHAL PRADESH STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED :**

The State Government expects that the term loan requirements of industrial units being set up in the State, would be adequately met by all Financial Institutions/Banks. However, to ensure that viable projects/units are not deprived of their loan requirements, the State Government will actively support the operations of the HPFC and HPSIDC, which are the leading term loan institutions of the State. The Government would also support HPFC and HPSIDC in making their lending rates competitive especially for units in category B and C areas by contribution to the share capital of these two institutions.

## **24. CONCLUSION :**

This policy statement is an expression of Government's intent and commitment to accelerate the growth of the industrial sector. The State Government recognizes the crucial role it has to play in terms of formulating and implementing policies relating to infrastructure development and accessibility such as power and telecom, industrial incentives, simplification of rules/procedures, annual inspections and labour reforms. Current labour laws are therefore being made flexible enough to allow leeway where it is warranted and in public interest. With respect to infrastructure, emphasis is being laid on both quality and quantity aspects which are key for industrial survival and growth. It is our firm belief that in this era of Post-liberalisation, our economy can grow at a faster rate as it has the potential. It is an established fact that a balance between manufacturing, services and agriculture and other allied sectors is key to economic growth. From the perspective of our Government, all round growth and especially of the manufacturing sector is a key area of employment generation, contributing significantly to the overall prosperity of our people living in rural and urban areas besides contributing revenue to the exchequer. Clearly this is an area, which our Government is giving the highest importance. It is our belief that by adopting pro-active policies it would not only spur economic growth in the State but also contribute substantially to the overall economic prosperity and welfare of our people.

It is with this clear and emphatic statement of intent that the State Government of Himachal Pradesh sincerely extends an invitation to entrepreneurs, from within and outside the country, to set up their projects in the State. The Government of Himachal Pradesh on behalf of its people assures investors in the State of their whole hearted support.

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## **RULES REGARDING GRANT OF INCENTIVES, CONCESSIONS & FACILITIES TO INDUSTRIAL UNITS IN HIMACHAL PRADESH, 2004**

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### **1. SHORT TITLE AND COMMENCEMENT :**

These rules shall be called "Rules Regarding Grant of Incentives, Concessions and Facilities to Industrial Units in Himachal Pradesh, 2004" and shall come into force w.e.f. the Thirty First day of December, 2004, hereinafter referred to as the appointed day.

### **2. OBJECTIVES :**

The objectives of the incentives, concessions and facilities being provided under these Rules are :—

- i* To achieve the objectives as announced by the Government in the Industrial Policy Guidelines-2004.
- ii* To spell out the extent to which the State Government proposes to provide benefits, incentives, concessions and facilities to industrial units to be set up in the State, on or after the appointed day.
- iii* To supplement and support the Special Package of Incentives and Concessions announced by the Government of India on 7<sup>th</sup> of January, 2003 for industrial units to be set up in Himachal Pradesh.
- iv* To encourage investment and optimum utilisation of the resources of the State namely power, land, capital, manpower and raw material in terms of revenue generation and generation of employment opportunities for local populace within the physical and environmental carrying capacities of the State.

### **3. DEFINITIONS :**

Under these rules, unless the context otherwise requires: —

- (a) 'Bonafide Himachali' means a resident of the State of Himachal Pradesh as defined by the Government of Himachal Pradesh from time to time.
- (b) "Commencement of commercial production" means the date on which the industrial unit actually commences commercial production as certified by the Director of Industries/General Manager, District Industries Centre/ Member Secretary, Single Window Clearance Agency or any other officer authorized by the Director of Industries to do so.

- (c) "Electricity Duty" means the electricity duty levied by the Government from time to time, on the consumption of power by New Industrial units set up in the State.
- (d) "Existing Industrial Unit" means an industrial unit, registered with the Department of Industries, which has been set up in the State and has commenced commercial production before the appointed day.
- (e) "Export Oriented Unit" means an industrial unit set up for the purpose of exporting its produce as defined in the Import/ Export policy of the Government of India, from time to time, and duly approved /registered as such by the competent authority.
- (f) "100% Export Oriented Unit" means such unit(s) as defined by the Government of India from time to time.
- (g) "Feasibility Report" means a report on the economic and technical feasibility of an industrial project prepared by an approved consultant or an agency approved/recognised by the Director of Industries.
- (h) "Financial institution" means all scheduled commercial banks, Himachal Pradesh Financial Corporation (HPFC); Himachal Pradesh State Industrial Development Corporation (HPSIDC), I.C.I.C.I., I.D.B.I., S.I.D.B.I, NABARD, Co-operative Bank(s) in the State of H.P, State KVIB, KVIC or any other institution declared to be a "financial institution" by the Government of India under the relevant statute. It will also include corporation(s)/institution(s) set up by the State/Central Government specifically to assist and extend loan assistance to specific categories of entrepreneurs such as women, SCs/STs, ex-servicemen, physically handicapped, backward classes etc..
- (i) "Fixed Capital Investment," (FCI) means actual investment made in land, building, plant and machinery by an industrial unit.
- (j) "Generating set" means a power plant for captive use only, installed by an industrial unit(s).
- (k) "Government" means the Government of Himachal Pradesh.
- (l) "Himachal Pradesh Industrial Renewal Scheme, 2004 "means a scheme for rehabilitation of Small-Scale and Medium & Large scale Industrial units set up in the State, notified by the Government, and as amended from time to time.

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- (m) "Industrial Area" means an area developed/earmarked by the Government or any of its agencies like HPSIDC, HIMUDA, HPSEDC etc. itself or in participation with private entrepreneur(s) for the establishment of industrial units including any developed plot(s) of land.
- (n) "Industrial Estate" means an area comprising sheds constructed by the Government or any of its agencies like HPSIDC, HIMUDA, HPSEDC etc. itself or in participation with private entrepreneur(s) for the establishment of industrial units.
- (o) "Industrial Units" shall mean SSSBE" or "Tiny" or "Small" or "Ancillary" or "Medium and Large" or any such "specified category of activity" so declared by the State Government under these Rules, registered with the Department of Industries and located within the State of Himachal Pradesh.
- (p) "New Industrial Unit" means industrial unit registered with the Department of Industries, located within the State of Himachal Pradesh which commences commercial production on or after the appointed day.
- (q) "Non Resident Indian"(NRI) shall have the same meaning as defined by Government of India from time to time.
- (r) "Power Tariff" means, only the rate of electricity per unit charged for the consumption of power, as specified from time to time under the relevant schedule of tariff by HPSEB and shall not include electricity duty, surcharge, peak load exemption charge, winter charge, fuel adjustment charge, service charge or any other charge under any name in the Tariff Schedule as may be levied by the competent authority, under its Schedule of Tariffs.
- (s) "Rural Area" means an area, which comprises any village or include any such area as the State Government may define in the H.P. Panchayati Raj Act, 1994.
- (t) "State" means State of Himachal Pradesh.
- (u) "SSSBE", "Tiny", "Small", "Ancillary", "Medium and Large" industrial units shall have the same meaning as defined by the Government of India from time to time.
- (v) "specified category of activity" means those activities which the State Government may declare under these Rules, as activities also to be

provided incentives as provided for under these Rules and commence their operation for the first time after the appointed day.

- (w) "Special Category of Entrepreneurs" means entrepreneurs belonging to the Scheduled Caste, Schedule Tribe, Women, Ex-serviceman, Physically Handicapped person (with a disability of more than 50%), BPL family category who set up new industrial unit(s) themselves.
- (X) 'Substantial Expansion' means the industrial unit existing before 7.1.2003, but which have undertaken substantial expansion by way of increase in installed capacity of the existing unit by not less than 25% of the capacity, which should be the result of installation of additional plant and machinery and which comes into commercial production from such expanded capacity not later than 31.3.2007 with further fulfillment of following condition:

That such expansion shall result in additional employment of atleast 25% (excluding contractual/sub contractual basis) of the existing manpower employed on regular basis and further that it will continue to employ at all levels, atleast 70% of its total manpower whether on regular basis or daily basis or contractual/sub contractual basis or by any other mode from amongst the bonafide of Himachal Pradesh.

- (y) "Tax Free Zone" means all Tribal areas notified by the competent authority of the State Government and includes all Tribal Development Blocks and Development Blocks mentioned under this category in these Rules and include all Backward Panchayats located in Blocks under the 'A' and 'B' Category Area and are categorized as C category areas.
- (z) "Thrust Industries" means the industry as specified in Annexure-II of these Rules.
- (aa) "Tribal areas" means the Tribal area as notified by the Government from time to time.
- (bb) "Village Industry" means any industry, located in "rural area" in tiny sector which produces any goods or renders any services with or without the use of power and in which the total fixed capital investment in land, building, plant and machinery per head of an artisan or a worker does not exceed Rs. 50,000/-.



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**4. ELIGIBILITY :**

- 4.1** (a) All 'new industrial units' and "specified category of activity" will be eligible for incentives as provided for under these rules subject to fulfillment of such requirements as may be specified under these rules or as may be specified by the Director of Industries from time to time.
- (b) Under these Rules, 'existing industrial units' will not be eligible for any incentives unless a specific provision has been made for providing a specific incentive to such 'existing industrial units' such as those undertaking substantial expansion.
- (c) Provided further that the incentives as provided for under these rules will be available to the eligible units as at (a) and (b) above, set up in the State only if it employs at all levels, at least seventy percent of its total manpower, employed whether on regular/contractual/sub-contractual/daily basis/ or any other mode from amongst the bonafide

Himachalis in 'A' 'B' & 'C' category of Area respectively. The employment condition shall not be applicable to units employing only one employee, located anywhere in the State and in the self-employed ventures where the owner is running the unit without employing any manpower. In case of violation of this condition at any point of time during the period of admissibility of these incentives by any industrial unit no further incentive under these Rules will be admissible to the industrial unit and in such an event all incentives already availed by such units will be recovered and the unit will be liable for stringent action including withdrawal of power connection to such defaulting units.

- (d) Provided further that no unit (existing or new) shall be eligible for grant of incentives and concessions provided for under these Rules, if it has any outstanding dues of the Department of Industries and if it is not registered with the duly authorized officer of the Department of Industries. Director of Industries will be the duly authorized person in case of medium and large Industrial Unit and in case of other eligible units Director Industries or any such officer authorized by him will be the authorized officer.
- (e) Incentives provided under these Rules will be made available to the eligible industrial units from the date of commencement of



production, as defined under these Rules, or from the date of notification issued by the concerned Government Departments under the relevant statute/ law to operationalise the relevant provisions of incentive's as provided herein, whichever is later.

**4.2** The incentives under these rules are provided under the discretionary powers of the State Government. They do not create any claim against the Himachal Pradesh Government enforceable in any court of law. The State Government in its wisdom may decide to amend, alter, delete or revise any or all of the incentives notified under these rules and no claim on account of such a decision will be entertained.

## **5. CATEGORISATION OF THE STATE :**

- (a) The State is being now classified into three categories of Areas as "A", "B", "C", as per Annexure I of these Rules or as may be specified from time to time by the Government for the purpose of incentives, depending upon its location; distance from the border of adjoining States; extent of industrial development; extent of overall backwardness of the block; resource availability and potential for employment generation for local people. The categorisation into three Categories is as per Annexure-1 of these Rules.
- (b) Category "A" Areas are areas under the Kanungo Circles falling within the respective development blocks but excludes any Backward Panchayats which may fall under the specifically mentioned Kanungo Circles listed as Category "A" Areas. Category "B" Areas includes the entire area falling under the Development Blocks indicated in the list and includes any left out areas of the Development Blocks indicated under Category 'A' Areas but excludes any Backward Panchayat. Category "C" Area (Tax Free Zones) includes all Tribal Development Blocks and Development Blocks mentioned under this category and includes all Backward Panchayats located in Blocks under the 'A' and 'B' Category Area.

## **6. ALLOTMENT OF LAND IN INDUSTRIAL AREAS :**

6.1 Need based land in industrial areas/estates and in other areas where available (developed/ undeveloped) with the Department shall be allotted by the Department of Industries on leasehold basis for a period of 95 years for the establishment of industrial unit(s).

6.2 The premium for the allotment of land in industrial areas/estates and Government Land in other areas for setting up of industrial units will be fixed on a

year-to-year basis and made effective from 1<sup>st</sup> of April every year. The rate of premium will be fixed by a committee of the Government consisting of Secretary Industries to the Government of H.P., Director of Industries & M.D., HPSIDC.

6.3 Government Land (developed/ undeveloped) available with the Department of Industries may also be allotted, for the development & setting up of public utilities such as shops, commercial complexes, recreational facilities etc on lease hold basis by inviting bids from the public, over and above the reserve price, to be fixed by the committee as constituted under Rule 6.2.

6.4 Government Land (developed/ undeveloped) available with the Department of Industries may be allotted for the development of social infrastructure like banks, post offices, educational institutions, medical institutions, captive housing facilities etc. on lease hold basis at the premium to be fixed by the committee as constituted under Rule 6.2.

6.5 Developed/ undeveloped Land for setting up of Industries and other activities as mentioned in Rule 6.1, 6.3 & 6.4 above subject to a maximum area of 10,000 sq. meters in industrial areas or wherever available with the Deptt. of Industries shall be allotted on lease hold basis by the Director of Industries or any other officer authorized by him. Developed/ undeveloped Land exceeding 10,000 sq. meters in industrial areas or wherever available with the Deptt. of Industries shall be allotted on lease hold basis with the prior approval of the Secretary (Industries) to the Government of Himachal Pradesh.

6.6 Developed/ undeveloped Land in industrial areas or wherever available with the Deptt. of Industries shall be allotted on lease hold basis by the Department of Industries, for a period of 95 years.

6.7 The application for allotment of developed/ undeveloped plot(s)/ land for industrial purposes/ social infrastructure/ public utilities shall be made to the concerned General Manager, District Industries Centre/Member Secretary, Single Window Agency on a prescribed form alongwith earnest money in the shape of a bank draft. The earnest money shall be equivalent to 10% of the premium of land, prevalent at the time of making the application, which shall be adjusted in the initial premium in the event of allotment of plot or refunded within two weeks in the event of non-allotment of plot/shed. Applications received without earnest money payable, will not be considered.

6.8 Developed/ undeveloped plot(s)/ land for industrial purposes/ social infrastructure/ public utilities :

- (a) Shall be allotted by the Director of Industries or any other officer authorized by him on the recommendation of a committee constituted for

the purpose on first come first serve basis unless the committee for reasons to be recorded in writing decides otherwise. However, land may be allotted on out of turn basis to eligible categories for which such a provision has been specifically made under these Rules.

- (b) In case of Govt. land/ plots, which are available for re-allotment consequent to their having being resumed after execution of final lease deed with the allottee, or surrendered by the allottees themselves, in industrial areas of Paonta Sahib, Kala Amb, Chambaghat, Baddi, Barotiwala, Mehatpur and Tahliwala, such Govt. land/ plots shall only be re-allotted through open auction/inviting bids from general public for allotment of such plots for industrial purpose only. In such cases the minimum reserve price will be fixed by a committee as constituted under Rule 6.2. In respect of such resumed plots, in other parts of the State, the same procedure for the allotment of plots will be followed as at (a) above.
- (c) The Govt. land/plots will be provisionally allotted for a period of two years and possession handed over to the applicant after entering into an agreement to lease. The allottee shall set up the unit within the stipulated period of 2 years from the date of provisional allotment. The Director of Industries may, however, if satisfied extend the period of the provisional allotment up to a maximum period of one year at a time on the merits of each case subject to the total period (including the stipulated period of 2 years) not exceeding 5 years from the date of provisional allotment. Such cases for grant of extension will only be considered if the premium due to the Department till the time of making the application for extension of the time period has been fully paid and there is no default in the payments due to the Department of Industries. Extension Fee equivalent to 5%, 10% and 15% of the total premium assessed at the time of allotment of the plot will be charged for extension sought for the 1<sup>st</sup>, 2<sup>nd</sup> and third year respectively, which will not be refundable/adjustable in the premium of the plot.
- (d) A regular lease deed will be entered into between the Department and the allottee after the fulfillment of the following conditions by the allottee:—
  - a. Having submitted proof of obtaining all necessary approvals/ registration of the different Departments/Agencies of State Government and Central Government as applicable to the Project.

- b. Having submitted the proof of obtaining the sanction of the loan for the approved project from the financial institution and present proof of the same. However in this case the lease deed after prior permission of Director of Industries or any officer authorised by him, may be hypothecated/mortgaged to the concerned financial institution.
  - c. In case the industrial unit is self-financed at least 50% of the estimated expenditure on building as per project report has been incurred and firm orders of at least 50% of the estimated plant and machinery as per project report has been placed.
- (e) A regular lease deed would be entered into between the Department and the allottee at the rates prevalent at the time of allotment of the plot if the same is done within two years from the date of allotment of plot to the party. In case the regular lease deed is entered into between the Department and the allottee after the expiry of a period of two years from the date of allotment of Plot, in this event the signing of the regular lease deed will be done by the Department at the allotment rates prevailing at the time of entering into such regular lease deed.
- (f) 30% of the premium of land (the earnest money deposited at the time of application will be adjusted against the amount so payable) shall be payable at the time of allotment and balance in 5 equal annual instalments. No interest will be charged on the balance instalments. However interest will be charged on delayed payment @12% P.A. or as may be fixed by the Government from time to time. However, if any party intends to make the entire payment in lump sum it may be accepted by commuting the instalments. In such cases the allottees will be allowed 5% discount for making lumpsum payments on the balance 70% premium but the terms and conditions of the allotment shall remain the same. Rebate equivalent to 5% of the balance premium due (balance premium due to be calculated as on the day the unit comes into commercial production) shall be given if the industrial unit starts commercial production within two years of taking of possession of the industrial plot and shall be adjusted in the last installment due from the allottee provided there is no default in payment of the due instalments.

6.9 In case an allottee fails to take effective steps for the setting up of the unit within the stipulated period of provisional allotment, the provisional allotment shall be cancelled and the possession of the plot/shed shall be resumed. The earnest money alongwith premium paid by the allottee shall be forfeited.

6.10 In case an allottee fails/refuses to take the possession of allotted plot on any ground and does not enter into agreement to lease within the stipulated

period as mentioned in the allotment letter the provisional allotment shall be cancelled and the amount of Rs.5000/- or 50% of the earnest money, whichever is more will be deducted & forfeited.

6.11 In case an allottee surrenders the possession of the plot provisionally allotted to the Department within a period of two years, the agreement to lease will automatically cease between the allottee and the Department from the date the surrender has been made by the allottee and the provisional allotment would deem to have been cancelled by the Department from such date. In such cases 10% of the premium paid or Rs. 10000/-, whichever is higher will be deducted and the balance amount deposited by the party in lieu of the plot would be refunded.

6.12 However, in case an allottee is refused any extension by Director of Industries for setting up of his unit within the stipulated period or fails to take effective steps for the setting up of the unit within the stipulated period of provisional allotment or violates any terms and conditions of these rules or that of agreement to lease, or regular lease deed, the provisional registration/ registration granted by the department to the unit will automatically stand cancelled and the allotment of plot shall be cancelled and the earnest money alongwith premium paid by the allottee will also be forfeited. The possession shall be resumed by the Department after giving a notice to the party to vacate the plot and surrender the possession of the plot free of all encumbrances peacefully to the Department within a period of 2 months failing which the provisions of the H.P. Public Premises & Land (Eviction and Rent Recovery) Act, 1971 will be invoked to resume the plot.

6.13 Change in the constitution of the allottee firm/company before or after the execution of final lease deed shall be allowed in the following cases by charging a processing fee equivalent to 5% of the differential cost (*i.e* difference in cost of the premium of plot as at the time of allotment and the prevalent allotment rate) assessed at the time of transfer of such provisional allotment/lease deed as the case may be or Rs. 10,000 , whichever is higher : —

- (a) When the original allottee proprietary firm is converting in to partnership firm provided the original allottee continues to hold the majority (minimum 51 %) share in the newly constituted/registered partnership firm.
- (b) When the original allottee partnership firm is introducing new partners or becoming a new partnership firm provided the original allottee partners of the firm continues to hold the majority (minimum 51 %) share amongst themselves in the newly constituted/registered firm.

- (c) When the original allottee proprietary/partnership firm is becoming a Pvt. Ltd. company provided the original allottee proprietary /partners of firm continues to hold the majority (minimum 51 %) share/ paid up capital amongst themselves in the Company.
- (d) When the original allottee Pvt. Ltd. company becomes a Public Ltd. company and as such is allowed by the Registrar of Companies provided the original allottee promoters of the Pvt. Ltd. company continues to hold /subscribe shares/ paid up capital amongst themselves in the Company.
- (e) When there is mere change in the name of Original allottee Pvt. Ltd./ Public Ltd Company without any change in the constitution as such, and as allowed by the Registrar of Companies.

6.14 In the event of the transfer of the lease hold rights of the plot after execution of regular lease deed to a new promoter/company/firm, for which permission from the Department has been obtained, as per the terms and conditions of the lease deed/ conditions imposed by the Department from time to time :—

- (a) 50% of the unearned increase payable, (to be calculated on the basis of the rates prevalent at the time of effecting such transfers) shall be realized from the lessees/original allottees.
- (b) In the event of the transfer of the plot to a new promoter/company/firm, on account of the unit being sold under section 29 of the State Financial Corporations (SFCs) Act, 1951 by Himachal Pradesh Finance Corporation Ltd. or Himachal Pradesh State Industrial Development Corporation Ltd. and the new promoter revives/continues with the same project/ as existed prior to take over by HPFC/HPSIDC or sets up a new project, instead of charging 50% unearned increase only a processing fee as indicated in para 6.13 above will be charged, as processing/administrative fees. This shall be subject to the satisfaction of the Director of Industries that sale etc. of the unit is being effected under section 29 of the State Financial Corporations (SFCs) Act, 1951.

6.15 Setting up of one or more separately identifiable units on the plot allotted to the lessee by the lessee himself would be allowed if the lessee in addition to running its existing unit sets up another new unit(s) to manufacture new items (other than being already produced) under the same name and style/

constitution, without any corresponding change in lease deed after charging 5% of the differential cost (i.e. difference in cost of the premium of plot as at the time of allotment and the prevalent allotment rate) assessed at the time of transfer of such provisional allotment/ lease deed as the case may be or Rs. 10,000 , whichever is higher. However if the new unit is proposed to be set up by the lessee on the surplus plot area of plot allotted to the lessee, in the form of a new company/firm in which the lessee proprietary/ firm/ company/ society has majority share (minimum 51 %), 5% of the differential cost of land to be so used by such new unit (i.e. the difference between the premium charged at the time of entering into the lease deed by the original allottee and the premium existing on day of granting such permission to the original allottee), or Rs. 10000/-, whichever is more will be realized as an administrative/processing charge. In such cases while making an application the original allottee will give an legal undertaking (an affidavit) that the New Company which the original allottee has formed will abide by all the terms and conditions of the original lease deed signed by the original allottee and that the original allottee will undertake to bear the consequences and liabilities of actions of its New company in full.

6.16 Renting out of less than 50% of the built up area of plot (approved by the competent authority), i.e. only such area which is surplus to his own requirement and the total built up area as is duly approved by the competent authority on the plot/ land allotted to the lessee, may be allowed on a case to case basis after one year of coming into production of the unit set up by the lessee, only under special circumstances by the Director of Industries or any such officer specifically authorized by him for setting up of more separately identifiable unit, after charging one time processing fee proportionate to the percentage of the built up area proposed to be rented out to the total built up area approved by the competent authority. The maximum ceiling for charging such processing fee will be Rs. 50,000/- for renting out maximum permissible 50% of total built up area. Such permissions will not be given for setting up of more than one unit in a given plot or area allotted to one party other than the existing unit of the lessee, which should be working and in operation for at least one year. Renting out permission will also not be accorded for setting up of Unit manufacturing identical products as already existing on the same premises. Permissions to rent out premises will not be given for a period exceeding 10 years. The permission each year will be revalidated by the Department of Industries after obtaining a no dues certificate to the effect that no amount is due to the Department of Industries. Such permissions will automatically stand withdrawn if the original allottee or the hirer closes down his unit for a period exceeding 12 months continuously. A no dues certificate from the financial institution which has financed the P&M, land and building of the original allottee will also be obtained before any such permission is granted by the Department.



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**7. ALLOTMENT OF INDUSTRIAL SHED IN INDUSTRIAL AREAS/ Estates:**

**7.1 For sheds allotted after notification of these Rules and transferred on lease hold basis after the appointed day.**

7.1.1 Industrial Shed(s) built up by the Department of Industries shall be allotted by the Department for industrial use on leasehold basis for a period of 20 years at a premium to be fixed and effective from 1<sup>st</sup> of April every year by a committee as constituted under Rule 6.2. The application for allotment of industrial shed(s) for industrial purposes shall be made to the concerned General Manager, District Industries Centre/Member Secretary, Single Window Agency on a prescribed form alongwith earnest money of Rs.10,000 in the shape of a bank draft payable to the concerned General Manager DIC. The earnest money shall be refundable within three months in the event of non allotment of shed or adjusted against the premium due in the event of allotment of shed. 30% of the premium of shed (to be assessed at the time of allotment on the basis of the present cost of land and present cost of building by the Committee constituted as per Rule 6.2) shall be due and payable to the Department at the time of allotment and the balance amount can be paid in 5 equal annual instalments. No interest would be charged on these annual installments. However interest @12% or as fixed by the Government from time to time would be chargeable on payments which are delayed for the delayed period. If any party intends to make the entire payment in lump sum it may be accepted by commuting the instalments and 5% rebate on balance amount (70% of the balance premium) would be admissible. Other terms and conditions of the allotment shall remain the same. Permissions to set up more than one unit in shed will not be given under any circumstances.

7.1.2 The shed for industrial purposes shall be allotted by a committee constituted for the purpose by the Director of Industries on first come first serve basis unless the committee for reasons to be recorded in writing decides otherwise. However, sheds for units in Thrust sector may be allotted on out of turn basis. In cases of Industrial sheds which are available for re-allotment consequent to their having being resumed after execution of final lease deed with the allottee, or surrendered by the allottees in industrial areas of Paonta Sahib, Kala Amb, Chambaghat, Baddi, Barotiwala, Mehatpur and Tahliwala, such sheds shall only be re-allotted through open auction/inviting bids from general public for allotment of such sheds for industrial purpose only. In such cases the minimum reserve price will be fixed by a committee as constituted under Rule 6.2. In respect of such resumed/surrendered sheds, in other parts of the State, the same procedure for the allotment will be followed as at 7.1.1 above.

7.1.3 Initially provisional allotment of Shed(s) will be made which will be valid for a period of one year. Possession will be handed over to the applicant after



entering into an agreement to lease the shed. The allottee shall take the following steps to set up the unit within the stipulated period of one year from the date of provisional allotment, before a regular lease deed is entered into between the Department and the allottee. A regular lease deed will be entered into between the Department and the allottee after the fulfilment of the following condition by the allottee:—

- (a) Having submitted proof of obtaining all necessary approvals/ registration of the different Departments/Agencies of State Government and Central Government as applicable to the Project.
- (b) Having submitted the proof of obtaining the sanction of the loan for the approved project from the financial institution and present proof of the same. However in this case the lease deed after prior permission of Director of Industries or any officer authorised by him may be simultaneously hypothecated/mortgaged to the concerned financial institution.
- (c) In case the industrial unit is self-financed at least firm orders of at least 50% of the estimated plant and machinery as per project report has been placed.

The Director of Industries may, however, if satisfied extend the period of the provisional allotment of the Shed up to 2 years from the date of provisional allotment on the merits of each case. The extension will be given for a period of one year at a time. Fee equivalent to 10% of the total premium assessed at the time of provisional allotment will be charged for every extension sought, which will not be refundable/adjustable in the premium of the shed. In exceptional cases where the unit has taken effective steps for the setting up of the unit in the Shed, Director of Industries may, if satisfied extend the period of the provisional allotment on the merits of each case up to 3 years, from the date of provisional allotment.

7.1.4 In case an allottee fails to take effective steps for the setting up of the unit or in case the allottee surrenders the possession of the shed provisionally allotted to the Department within a period of two years, the agreement to lease will automatically cease between the allottee and the Department from the date the surrender has been made by the allottee and the provisional allotment would deem to have been cancelled by the Department from such date. In such cases 10% of the premium paid or Rs. 10,000/-, whichever is higher will be deducted and the balance amount deposited by the party in lieu of the shed would be refunded.

7.1.5 The change of constitution as provided for under Rule 6.13 before the execution of lease deed shall be allowed by charging a processing fee of Rs. 10,000/-. This shall be subject to the satisfaction of the Director of Industries that sale etc. of the shed/unit is not being effected under cover of technical transfer.

7.1.6 In the event of the transfer of the lease hold rights of the shed after execution of regular lease deed to a new promoter/company/firm, for which permission from the Department has been obtained, as per the terms and condition of the lease deed/ conditions imposed by the Department from time to time:—

- (c) 50% of the unearned increase payable to be calculated on the basis of the rates prevalent at the time of effecting such transfers shall be realized from the lessees/original allottees.
- (d) In the event of the transfer of the shed to a new promoter/ company/firm, on account of the units being sold under section 29 of the State Financial Corporations (SFCs) Act, 1951 by Himachal Pradesh Finance Corporation Ltd. or Himachal Pradesh State Industrial Development Corporation Ltd. and the new promoter revives/continues with the same project/ as existed prior to take over by HPFC/HPSIDC or sets up a new project , instead of charging 50% unearned increase only a processing fee as indicated in para 6.13 above will be charged, as processing/administrative fees. This shall be subject to the satisfaction of the Director of Industries that sale etc. of the unit is being effected under section 29 of the State Financial Corporations (SFCs) Act, 1951..

**(b) For sheds allotted before the appointed day**

7.2 Option to the allottees of sheds which have been allotted shed/sheds till the appointed day on rental basis will be given, to either:—

- (a) continue to be in the occupation of sheds on rental basis subject to the condition that they have only their own unit presently running and in operation. In all such cases, revised rental deeds will be drawn up between the allottee and the Department and existing rentals would be increased by 10%, effective from the date of notification of these rules. The revised rental agreements would specifically provide for an increase of rentals of 10%, after every three years. A fresh rent deed would also be required to be executed every time when the rentals are revised after every three years as indicated above and on clearance of the entire outstanding amount due to the department by the allottee of these Sheds. In case of violation of any of the

conditions specified above or any other condition which has been imposed by the Director of Industries for such allotments from time to time, the allotment of shed shall be cancelled and the dues recovered as arrears of Land Revenue by the Department. The possession shall be resumed by the Department after giving a notice to the party to vacate the shed and surrender the possession of the shed free of all encumbrances peacefully to the Department within a period of 2 months failing which the provisions of the H.P. Public Premises & Land (Eviction and Rent Recovery) Act, 1971 will be invoked to resume the shed.

- (b) The existing allottees of already allotted sheds, which are presently on rent may also opt for converting their existing rental agreements into an agreement for allotment of such sheds on a lease hold basis for a period of 20 years. Such agreement to enter into a lease deed would be effective from the date of signing of such an agreement after the approval and fixing of terms and conditions by the Director of Industries. The regular lease deed will be executed only after receipt of 100% of the premium of shed as fixed by a committee as constituted under Rule 6.2. 50% of the premium of the shed as fixed by the Committee would be realised at the time of agreement to lease and the balance 50% would be recovered in 3 equal annual instalments. The interest chargeable on delayed payment would be 12% or as fixed by the Government from time to time. However, if any party intends to make the entire payment in lump sum it may be accepted by commuting the instalments and in such cases 5% rebate will be given on the balance 50% premium payable, but the terms and conditions of the lease deed shall remain the same.

7.2.2 In the event of the tenancy rights of shed already allotted on monthly rental basis are transferred to a new promoter/company/firm, after obtaining permission from the Department, such transfers would be allowed only on lease hold basis and a sum of Rs. 50,000/- , Rs.30,000/- and Rs.15,000/- in 'A', 'B', and 'C' category of Blocks respectively shall be realized from the original allottee as transfer fee. No unearned premium would however be payable in these cases.

7.2.3 Provided, that where such transfers are done on account of technical reasons, as enumerated under Rule 6.13 above only a fee of Rs. 10,000/- will be charged as processing/administrative fees. This shall be subject to the satisfaction of the Director of Industries that sale/transfer etc. of the unit is not being effected under the cover of technical transfer.

7.2.4 In the event of the shed transferred to a new promoter/company/firm, on account of the units being sold under section 29 of the State Financial

Corporations (SFCs) Act, 1951 by Himachal Pradesh Finance Corporation Ltd. or Himachal Pradesh State Industrial Development Corporation Ltd. only a fee of Rs. 15,000/- will be charged as processing/administrative fees. In such an event the Department will enter into a revised lease deed with the person buying the Unit. The shed sold to a new promoter/company/firm, on account of the units being sold under section 29 of the State Financial Corporations (SFCs) Act, 1951 shall be allotted to the buyer by the Department of Industries on 20 years lease hold basis for the establishment of industrial unit(s) at premium to be fixed by the committee as defined under rule-6.2. This shall be subject to the satisfaction of the Director of Industries that sale etc. of the unit is being effected section 29 of the State Financial Corporations (SFCs) Act, 1951.

## **8. SUBSIDY TOWARDS THE COST OF PREPARATION OF FEASIBILITY REPORT:**

Subsidy would be admissible to industrial units as under:—

8.1 (a) New industrial unit(s) in tiny, small scale sector and medium and large scale units will be eligible for subsidy on the cost of preparation of feasibility report @ 50% of its cost subject to a ceiling of Rs.10,000/- in case of tiny unit(s), Rs.40,000/- for SSI unit(s) and Rs. 1 lakh in case of Medium and Large Scale Industry on in case of thrust industry and specified category of activities.

8.2 The subsidy admissible will be subject to the following conditions:—

- (a) The applicant unit will apply through the financial institution within a period of one year from the date of commencement of commercial production and submit proof of the payment made to the technical consultant.
- (b) In case the industrial unit is self financed by the promoter(s), then the applicant unit will apply directly within a period of one year from the date of commencement of commercial production and also submit the proof of the payment made to the technical consultant.
- (c) No application for grant of subsidy provided under this rule will be entertained after a period of one year from the date of commencement of commercial production.

## **9. POWER CONCESSIONS:**

### **Power:**

Power will be made available to industrial units only as long as they satisfy the eligibility criterion as laid down under Rule 4 of these Rules, specifically Rule 4.1(c) and are also approved and registered with the Department of Industries as

also fulfil the other eligibility conditions laid down for availing incentives under these Rules.

9.1 All New industrial units including EOUS/Specified Category of Activities/Thrust Industries/\_setting up of state of the art computerized auction houses and quality certifying agencies etc., but excluding those units listed in Annexure-III with a connected load not exceeding 100KW, shall be charged a concessional rate of Electricity Duty at the rate of 10 paise per unit for a period of 5 years from the date of commencement of commercial production in category B and C areas only. This concession would be effective from the date of notification by the Department of MPP & Power.

9.2 The existing unit(s) already availing this incentive under the previously applicable incentive Rules (1999 incentive rules) shall continue to avail those incentives, only for the unexpired period of its/their eligibility.

9.3 No electricity duty will be charged from any New Industrial unit or Existing Industrial Unit, on the power generated from their captive power generation sets from the appointed day.

9.4 Out of turn preference and top priority would be given to sanction power connections to 100% Export Oriented Units, Export oriented units, Information Technology projects, Bio Technology projects, and projects involving Foreign Direct Investments.

9.5 Industrial Units (except those listed in the negative list-Annexure-III), which involve continuous process, and are registered as export oriented units and food processing industry will be exempted from power load cuts depending upon the system constraints.

## **10. SALES TAX CONCESSIONS:**

10.1 The following Sales Tax Incentives would be provided subject to their fulfilling the eligibility conditions as laid down elsewhere under these Rules:—

- (1) Sales Tax incentives, that is, exemption from payment of C.S.T/G.S.T. for 10 years from the date of their commencement of production in the Tax Free Zone (now classified as Category 'C' areas under these Rules) shall be continued, as provided for under the 1999 Incentive Rules. This incentive will be admissible to New Industrial Units and or existing industrial units as on 7/01/2003 (for the purpose of this incentive only) which undertake substantial expansion after 7/01/2003. This incentive will be available to all

eligible units listed in the negative List (Annexure-III) also. In other words no Negative List will be applicable in Tax Free Zones for the purpose of this incentive.

- (2) Village Industry, as defined under these Rules, set up in the State, falling within the definition of Khadi and Village Industries Board and which are so notified by the State Government in consultation with the Department of Excise and Taxation will be exempted from the payment of Sales Tax, as was the position prior to 10/03/1999. This incentive however, will not be available to such units manufacturing products, which are listed in Annexure-III (Negative List) of these Rules.
- (3) (i) Except for industries listed in the Negative List (Annexure-III of these Rules), New Industrial Units set up after the appointed day as specified under these Rules shall be entitled to the incentive of deferment of 100% General Sales Tax for a period of 8 years in Category 'B' areas and for a period of 5 years for such units in category 'A' areas.
- (ii) Existing industrial units, except for industries listed in the Negative List (Annexure-III of these Rules), which have been set up (i.e. commenced commercial production) before 7/01/2003, and which after the approval of Director of Industries or any other officer so authorised by him, undertake substantial expansion only after 7-01-2003, as defined under these Rules, shall be entitled to the incentive of deferment of 75% General Sales Tax for a period of 8 years in category B areas and for a period of 5 years for such units in category 'A' areas,
- (iii) The benefit as at para (i) and (ii) above will however be subject to furnishing of security/bank guarantee to the satisfaction of the Excise & Taxation Department of Government of Himachal Pradesh. The General sales Tax so deferred for 8 years or 5 years as the case may be shall become due for payment after a period of 5 years from its collection. This means that the tax collected in the 1st year shall be payable in the 6<sup>th</sup> year, second year in the 7<sup>th</sup> year and so on. 25% of the G.S.T. liability as and when due in case of existing units undertaking substantial expansion (as at para (ii) above) will however continue to be deposited with the State Government as prescribed by relevant law/statute.

**10.2 The G.S.T. on the raw material, processing and packaging material except timber, shale and limestone used by the existing and new industrial units (as defined under these Rules) unless provided otherwise elsewhere under these Rules, for captive manufacturing within the State shall be leviable at a concessional rate of 1% upto 31-03-2009.**

**10.3 Central Sales Tax** at a concessional rate of 1% shall be leviable on the goods manufactured by new and existing industrial units (as defined under these Rules) unless provided otherwise elsewhere under these Rules, upto 31-03-2009. This incentive will not be provided to industrial nit engaged in the production of breweries, distilleries, non-fruit based wineries and bottling plants (both for country liquor and Indian made foreign Liquor).

**10.4 The concessions** provided under this rule will commence from the date of commencement of commercial production or from the date of notification issued by the Department of Excise and Taxation (wherever required), whichever is later.

## **11. INCENTIVES TO SSI UNIT(S) SET UP BY SPECIAL CATEGORY OF ENTREPRENEURS FOR SETTING UP OF TINY AND SSI UNITS:**

**Special Category Entrepreneurs** as defined under these Rules, setting up SSI units, will be entitled to the following additional concessions/facilities which will be over and above the concessions and facilities admissible elsewhere in these Rules, unless otherwise specified:—

- (a) **For such entrepreneurs** 90% subsidy shall be given on the preparation of feasibility reports subject to a maximum of Rs.25, 000/- in each case.
- (b) 100% subsidy shall be provided to such entrepreneurs for the carriage and installation costs of the machinery.
- (c) 10% special investment subsidy on fixed assets subject to a ceiling of Rs. 1,00,000/- per unit shall be allowed to such entrepreneurs out of State funds for establishment of Tiny units.
- (d) **SSSBES',** Tiny units and units with Fixed Capital Investment limit of Rs. 25 lakhs falling under the category of "specified category of activity" set up by such category of entrepreneurs availing term loans from Financial Institutions as defined will be entitled to 5% interest subsidy on the term loan subject to a ceiling of Rs. 50,000 per year for 3 years only. The interest subsidy will not be admissible on defaulted installment due to the



financial institution and the period of default will be counted for determining the ceiling of 3 years. Interest subsidy will be admissible for the first 3 years of the original repayment schedule finalized by the Financial institution at the time of sanctioning of loan.

## **12. INCENTIVES FOR PROMOTION OF EXPORT:**

Export Oriented Units (EOUs) shall be entitled for the following additional incentives:—

(a) Assistance for shipment of export samples by small-scale unit.

The Department of Industries will reimburse costs incurred by SSI units for shipment of export samples from the nearest port/container depot to the port of destination, subject to a maximum of Rs. 15000/- per consignment of samples and a total of Rs. 50,000/- per unit during its period of operation. The State Level Committee will sanction this subsidy.

(b) Market development assistance:

- (1) 50% of the cost of publishing exports marketing brochures and product literature incurred by industrial units subject to of Rs. 15,000/- per unit per year will be reimbursed by the Director of Industries.
- (2) 50% of the cost of participating in relevant overseas trade fairs approved by the Trade Fair Authority of India/State Government will be reimbursed by the Director of Industries to such units in the SSI sector, up to a of Rs.25,000/- per unit during any financial year.

12.1 Such EOU's will be exempted from peak load restrictions by the HPSEB depending upon the system constraints.

12.2 100% Export Oriented Units as defined in these rules shall be eligible for grant of "Public Utility" status under the Industrial Disputes Act, 1947.

12.3 Wherever available the Department of Industries may allot land/built up area, in accordance to the provisions made in Rule 6, to recognized trading houses and export promotion councils set up in the State and engaged in the export of produce of Himachal Pradesh.

12.4 The Deptt. of Industries may allot land at concessional rates for the setting up of Inland Container Depot to facilitate the transportation of Export items to Cargo complexes/ports.

**13. STATE AWARD SCHEME FOR EXPORTS, PRODUCTIVITY, QUALITY AND OUTSTANDING PERFORMANCE IN HANDICRAFT AND HANDLOOM SECTOR TO SMALL SCALE ENTREPRENEURS :**

All industrial units in this sector will be eligible to apply and compete for the following awards to be given by the State Government every financial year;

Name of the Category	No. and description of awards for each category
1. Outstanding performance in exports	1st award comprising trophy, certificate and cash award of Rs. 25,000/-.
2. Excellence in Productivity, quality and performance.	2nd award comprising of trophy, certificate and cash award of Rs. 10,000/-.
3. Outstanding performance by SSI units handicraft/handloom sector	3rd award consisting of a commendation certificate and cash award of Rs. 5000/-.

The awards in each of these three categories mentioned above would be given in each year on the basis of selection made by State Level Selection Committee headed by the Director of Industries and consisting of Director SSI, Chambaghat, Solan, Managing Director Handloom and Handicraft Corporation, nominee of H.P. State Productivity Council, and the concerned officer in the Directorate of Industries.

**14. INCENTIVES FOR SETTING UP TESTING CENTRES BY INDUSTRIAL ASSOCIATIONS, NGO's, SOCIETIES AND GOVT. CORPORATIONS/ PUBLIC SECTOR UNDERTAKINGS :**

14.1.1 Testing laboratories obtaining ISO9000 and or, ISO14000 series certification set up in the area of testing of raw material/components and finished products by any recognised Industrial Association, N.G.Os', Societies or any Public Sector undertakings would be eligible for one time grant of Rs. 5 lacs per lab or

30% of the cost of testing equipment and machinery installed, whichever is lower. This grant would be in addition to any grant/financial assistance, if any, provided by any other agency or Govt. of India.

14.1.2 For any technology innovation/research and development by any individual industry for which a patent has been obtained from the concerned regulatory authority, the State Government will provide subsidy upto 50% of the costs incurred on development of prototype subject to a ceiling of Rs. 10,00,000/- per patent. This would include cost of drafting of the patent application, filling the application in India or abroad with the recognised agency, pursuing the patent application outside India, its cost of registration, first time maintenance fee of the granted application outside India or for obtaining one time non-infringement legal opinion from established lawyers/ law firms within the country having reference from any Ministry of Government of India of having successfully defended such cases and assisting such Companies in the country.

14.1.3 Technology Transfer Cells set up by registered/approved NGO's/ Societies, will be provided 25% subsidy on fixed assets created subject to a ceiling of Rs. 5 lacs. This subsidy will, however, be provided only after the cell has successfully assisted technology transfer to at least 10 industrial units in the State.

14.1.4 Existing industrial units and new industrial units will be provided subsidy to the extent of 20% of their cost of installation of modern pollution control devices subject to a ceiling of Rs. 5 lakhs in each case in B and C category areas.

For the purpose of grant of these incentives the claimant unit will, in addition:—

- (a) Satisfy the Director of Industries, H.P., or any officer authorised by him/her that the equipment is essential for the purpose for which the incentive is being given and has been actually purchased and installed for the first time, and is functional.
- (b) Be registered and approved by the competent authority under law and have started operation and operated successfully for at least one year.
- (c) Give an undertaking that it will continue to function as long as the unit operates.
- (d) Keep a separate record of purchase, maintenance and upkeep of the assets/ testing equipment.

The Units will not be eligible for this subsidy on the cost of any replacement of equipment etc. In case of violation of any of the conditions mentioned above, the applicant shall be liable to refund

the subsidy alongwith interest at the rate of 18% per annum. In case of default the amount to be refunded may be recovered as an arrear of land revenue.

#### 14.2 Eligibility Criteria:—

- (a) Industrial Associations, NGO's and Societies interested in availing one time grant-in-aid under this scheme have to be registered under the Societies Registration Act, 1860 or any other statute.
- (b) The applicant constitutes an Exclusive Governing Council to look after the working of Testing Centre having representation from the concerned office or General Manager, District Industries Centre and State Directorate of Technical Education.
- (c) The applicant will prepare a detailed project proposal (DPR) for setting up of testing laboratory indicating the financial arrangement made by them for land, building and purchase of testing machinery & equipments, financial viability of the project and working capital etc. DPR should contain a statement showing cash flow of 5 to 6 years during which period the laboratory should become self sufficient. In case the applicants are availing any other grant-in-aid from the State/Central Govt. for setting up of testing centres including assistance under the earlier scheme they may indicate so in Detailed Project Report.

#### 14.3 Condition for release of funds:—

- (e) The beneficiary will utilize the grant within one year of its disbursement and will furnish the utilization certificate in the prescribed form duly audited by a Chartered Accountant and Countersigned by the General Manager, District Industries Centre concerned.
- (f) In case the testing laboratory closes down its operation before the 5 years from its opening the entire grant received by the beneficial would be recovered as arrear of land revenue against it and its office bearers, an undertaking in this regard will be given by the beneficiary.
- (g) The benefited organization will not dispose off any of the assets created out of grant-in-aid from the State Govt. without written permission of the Director of Industries.

**15. INCENTIVE TO THRUST SECTOR (EXCLUDING SUCH INDUSTRY WHICH MAY BE LISTED IN ANNEXURE-III) :**

New industrial units belonging to Thrust Sector listed in Annexure II and located in "B" and "C" category areas (excluding such industry which may be listed in Annexure-III) shall be eligible for the following additional incentive, unless otherwise specified or unless a separate provision has been made elsewhere under this or these rules. Provided they also meet the minimum employment criterion laid down elsewhere in these rules:—

15.1 Such eligible Thrust industries shall be entitled to out of turn allotment of plots/land /sheds in industrial areas/estates located in Category 'B' and "C" blocks. Land/shed in category "B" and "C" blocks shall be allotted @50% of the normally applicable premium as may be determined by the Government from time to time for the general category of industries.

15.2 Such Thrust new industrial units, in the Small Scale Sector as listed in Annexure-II of these Rules, located in "B" and "C" blocks manufacturing wine/cider out of locally produced fruits shall also be exempted from the payment of State Excise Duty for a period of 7 years.

15.3 Horticulture produce, Vegetable produce based industries, Maize based and herbal based industries specifically located in B and C category areas shall be entitled for the following additional incentives:—

- (a) Total exemption from the payment of Electricity Duty for a period of 10 years from the date of their commencement of production.
- (b) Interest subsidy @ 5 % P.A. with a ceiling of Rs. 2 lakhs P.A. for a period of 3 years.

**16. PURCHASE PREFERENCE :**

16.1.1 The products of Small Scale Industry including 'Village Industry' as defined under these Rules and located within Himachal Pradesh only will be give purchase preference in respect of purchases affected by the Government Departments, Boards and State owned or controlled Corporations. Purchase orders to such firms will be placed at the lowest approved rates.

**17. "HIMACHALI UTPAAD SCHEME- PRODUCT OF HIMACHAL" :**

- (a) The State Government will adopt a logo which will be used to certify products made in Himachal. The H.P. Handlooms and Handicrafts Corporation or any specific designated Government Department/

Government owned agency on the recommendations made by the concerned General Manager, DIC will allow the use of this logo by registered manufacturing units set up in the State. The industrial units that are engaged in the manufacture of Handloom, Handicraft, Sericulture, Khadi and Village industry will be covered under this scheme in the first phase. The Handloom and Handicraft Corporation will elaborate upon the detailed procedure to be followed, registration fees/ charges and the process involved. The funds generated out of this scheme will be supplemented with a regular Departmental budget on 50:50 basis which will be used to advertise and develop a brand ambassador

network, bringing select groups from media houses and educational institutions, skill upgradation and quality control institutions for structured tours in the State, collation and dissemination of success stories, generating research reports that would help track perception of Himachali Utpaad-A Product of Himachal Pradesh.

- (b) The Department of Industries will fund 50% of the cost of visit of select groups/designers/ reputed manufacturing and buying houses to the clusters of Handloom and Handicraft villages in the State located in "B" and "C" category areas organised after approval of Director of Industries or any other officer authorised by him, with a view to adopt such villages and tie up their production, subject to a ceiling of Rs. 75,000/- per case per year.

# **18. SCHEME FOR REGISTRATION OF AGRO/HORTICULTURE PRODUCE/TOURISM AND OTHER ALLIED SECTORS, BACKWARD/ FORWARD LINKAGE 'SPECIFIED CATEGORY OF ACTIVITIES' AND GRANT OF INCENTIVES:**

18.1 The Department of Industries will also register certain specified activities promoted locally by bonafide Himachalis/entities set up by them (bonafide Himachalis) and as certified by the concerned State Government Department as activities specified in Annexure-IV, as amended from time-to-time, and which basically relate to commercial exploitation and value addition of Agro/ Horticulture/Animal Husbandry/Pisciculture/ Sericulture/Floriculture/Bio Technology/ Agri-business/Tourism and other allied sectors activities so identified for the purpose of availing the incentives (if such or similar incentives have not been availed under any other scheme of Government of India/State Government) provided for under these Rules.

18.2 Such activities as are specifically mentioned in Annexure III of these Rules, will apply on the same application form as are currently being used for the registration of SSI/M&LSI (depending upon the level of investment) to the concerned General Manager, DIC (in case of units up to limits prescribed for SSI units), and the Director of Industries (in case of units exceeding the limits of investment prescribed for SSI units). These applications will be forwarded to the concerned registering authorities of the Department of Industries through the concerned Departments (Agriculture/Horticulture/Animal Husbandry/Fisheries Department etc. as the case may be) after certifying that the said project is covered under the definition of specified activity as mentioned in Annexure III. The General Manager's DIC's/Director of Industries will register these projects separately and maintain a separate registration record of such activities which are otherwise not falling specifically under the guidelines and provisions of SIDO. In case the activity can also be registered as Industrial units falling under the SIDO guidelines, such units would only be registered as SIDO units and would therefore be entitled to avail only those incentives, concessions and facilities provided for such industrial units under these Rules.

18.3 Such Specified Activities by virtue of being eligible for incentives concessions and facilities as being specially provided for under these Rules will not qualify automatically for grant of any other incentives, concessions and facilities provided by Government (State Government or Government of India) to Industrial Units unless specifically provided for.

18.4 After the unit falling under the category of certain 'specified activities' has gone into commercial production and this fact is certified by the concerned Government Department who has recommended this case, the unit will be registered permanently and issued an Eligibility Certificate by the Department of Industries specifically indicating the date of commencement of production and incentives, concessions and facilities which may be provided to such units.

18.5 The following incentives may be made available to such registered units:—

- (1) Such units will be charged Electricity Duty at the rate of 10 Paise per unit on power consumed by them for a period of 5 years from the date of their commencement of production.
- (2) Such units, set up in the State, availing term loan and working capital through the Financial Institutions, as defined under these Rules shall be eligible to claim interest subsidy of 5% subject to a ceiling of Rs. 1 lakh per unit per annum for a period of 3 years.



- (3) Such Units will be eligible for subsidy on Fixed Capital Investment including cost of structure, building and plant and machinery @ 15% of the Fixed capital Investment subject to a ceiling of Rs. 5 lakhs per unit. Sanction and disbursement of this subsidy will be governed by the provisions of Central Investment Subsidy manual.
- (4) Supply of water and electricity connections to such activities will be made on priority.
- (5) Such activities will be exempted from the payment of luxury tax, and entertainment tax, as may be applicable for a period of 5 years only.

## 19. TAX INCENTIVES AVAILABLE TO UNITS IN CATEGORY "C" BLOCKS (TAX FREE ZONE) :

19.1 All new industrial unit(s) set up in the Category "C" areas of the State, as notified from time to time, shall be exempted from payment of any State taxes and duties (excluding levies in the shape of cess, fees, royalties etc.) for a period of 10 years from the date of commencement of commercial production or the date of notification by the concerned Department(s), whichever is later.

## 20. LABOUR LAWS :

For Existing and New industrial units set up in the State, the following concessions and facilities may be granted, effective from the date of Notification by the concerned Department under the relevant statute:—

1. The State Government in exercise of the powers under Section 9-B of the Act, would grant exemption from the requirement of 'Notice for change' as provided for under the provisions of Section 9-A of the Industrial Disputes Act, 1947.
2. The State Government by a notification in the official gazette under Section 40 (1), of the Industrial Disputes Act, 1947 would add continuous process industry, IT industry, BT industry, hazardous industry and export-oriented industry to the 1st schedule.
3. Permission under Chapter V-B of the Industrial Disputes Act, 1947 to regain health of the *sick unit* by trimming the extra labour force would be given by the Labour Department within 30 days.

4. The State Government by exercising its powers under Section 65(2) of the Factories Act would grant exemption to all Export Oriented Units from the provisions of Section 51, 52, 54 and 56 of the Act to enable such units to increase its working hours to 60 per week (Section 51), to 11 per day (Section 54) and Spread Over to 13 hours per day (Section 56). The State Governments would also exercise its power to facilitate two-shift operation with women workers to enable women workers to work between 5.00 am to 10.00 pm and beyond the prescribed working hours between 6.00 am to 7.00 pm under Section 66 (1) (b), of the Factories Act. This would however be done on the condition that the management would make adequate transport, safety and security arrangements for the women workers.
5. Contract Labour would be permitted Under Section 10 of the Contract Labour (Regulation & Abolition) Act, 1970 in solid waste disposal units, 100% EOU's, IT units, BT units and non-core activities like cleaning, security, gardening, loading/unloading etc. subject to the condition that such contractual labour is from amongst bonafide Himachali's and minimum wages would be applicable to such contractual labour.
6. The State Government would also consider on a case-to-case basis allowing enhanced freedom to employ contractual labour to the industrial units under the Contract Labour (Regulation & Abolition) Act, 1970 as follows:—
  - \* Where Minimum wage is paid, no special freedom would be allowed.
  - \* Where double the minimum wage is paid, upto 10% of the total labour employed on permanent basis from amongst bonafide Himachali's by the unit would be allowed on contract basis.
  - \* Where triple of the minimum wage is paid, upto 20% of the total labour employed on permanent basis from amongst bonafide Himachali's by the unit would be allowed on contract basis.
  - \* Where five times the minimum wage is paid, exemption from Chapter V-B and upto 50% contract labour from amongst bonafide Himachali's would be allowed on contract basis.

## 21. MANPOWER DEVELOPMENT:

1. Private recruitment agencies which obtain a No Objection certificate from the Labour Commissioner-cum-Director of Employment, H.P. will be eligible

for allotment of land in industrial areas/built up space, wherever available for operating such recruitment agency. The land/built up space, as the case may be will be allotted, on the same terms and conditions as those for industrial units.

2. Industrial units organizing recruitment camps outside the District of their location and which conduct campus interviews in colleges, universities, technical training institutions located anywhere in the State shall be eligible for incentive for recruitment of bonafide Himachali's at the rate of Rs.500/- per candidate so employed by them on regular basis. Provided that the employment so made is verified by the District Employment Officer of the district concerned where recruitments were made and by the General Manager DIC/Member Secretary, Single Window Clearance Agency where the unit is located, from the records of the Unit. This subsidy can also be availed by Placement Cells of the colleges, universities, technical training institutions located anywhere in the State, on application supported and counter verified by the industrial units which have recruited such candidates, giving details of candidates recruited through such agencies, so as to enable such Placement Cells expand and consolidate their activities.

3. Subsidy on manpower development will be given to industrial units, which send those of their workers who are from identified BPL families/SC/ST families outside the State for technical training for up grading of their skills to a Government recognized institution or registered/licensed unit. This subsidy will be given provided that the unit gives an undertaking to the effect that all such trained workers will continue to be employed by it after the training, for a period of 3 years atleast. 50% of the actual cost of training, with an upper ceiling limit of Rs. 5000/- per trainee will be reimbursed subject to a ceiling of Rs. 25,000/- per unit per year for the period of training.

4. *Award Scheme for Employment.*—Industrial Units in the State will be eligible for the following prizes for the employment of bonafide Himachalis:—

Name of the Award	Description of Award
1st Award to Unit providing maximum employment to Himachalis.:	Trophy, Certificate and cash Award of Rs. 25,000/-.
2nd Award to Unit providing second maximum employment to Himachalis.	Trophy, Certificate and cash Award of Rs. 10,000/-.
3rd Award to Unit providing third maximum employment to Himachalis.	A commendation Certificate and a cash award of Rs. 5,000/-.

## **22. INCENTIVES FOR SETTING UP OF STATE OF THE ART COMPUTERIZED AUCTION HOUSES AND QUALITY CERTIFYING AGENCIES :**

22.1 Private entrepreneurs setting up modern auction houses, marts and infrastructure for physical handling, storing, marketing and using IT for on line auction of agriculture/horticulture/sericulture/floriculture/animal husbandry produce/pisciculture produce in the state or for setting up modern offices for use by buyers/sellers and facilities for producers, setting up recognized quality certifying agencies (recognised by the concerned Department of the State Government) the following incentives may be provided:—

- (a) 25% subsidy on cost of computers and related peripherals, cost of testing and quality control equipment subject to a ceiling of Rs. 2 lakhs per unit.
- (b) such complexes and establishments setup therein would be charged Electricity Duty at a concessional rate of 10 paisa per unit for a period of 5 years .
- (c) The State Governments by a notification in the official gazette under Section 40 (1), of the Industrial Disputes Act, 1947 would include such establishments to the 1st schedule.
- (d) The State Government by exercising its powers under Section 65(2) of the Factories Act would grant exemption to all such marts from the provisions of Section 51, 52, 54 and 56 of the Act. This would enable such marts to increase its working hours from to 60 per week (Section 51), to 11 per day (Section 54) and Spread Over from to 13 hours per day (Section 56).
- (e) The State Governments would also exercise its power to facilitate two-shift operation with women workers to enable women workers to work between 5.00 am to 10.00 pm also and beyond the prescribed working hours between 6.00 am to 7.00 pm under Section 66 (1) (b), of the Factories Act. This would however be done on the condition that the management would make adequate transport, safety and security arrangements for the women workers.
- (f) Contract Labour from amongst bonafide Himachalis would be permitted Under Section 10 of the Contract Labour (Regulation & Abolition) Act, 1970 in such marts for non-core activities like cleaning, security, gardening, loading/unloading etc subject to the

condition that minimum wages would be applicable to such contractual labour.

## **23. POWER TO AMEND AND/OR RELAX/REPEAL ANY OR ALL PROVISIONS OF THE RULES :**

23.1 Notwithstanding anything contained in any of the provisions of these Rules, the State Government may at any time :—

- (a) make any amendment to these Rules, or repeal them ;
- (b) make any relaxation in applying the provisions of these Rules on merits of each case, as the State Government may consider necessary and appropriate;
- (c) impose any condition in addition to the provision of these Rules on merits of each case, as the State Government may consider necessary and appropriate ;

23.2 In case of any dispute arising out of interpretation of these Rules, the matter will be referred to the Secretary (Industries) to the Government of Himachal Pradesh, whose decision shall be final and binding on all. In any special case(s), the Government may set up a committee and refer any particular dispute to it for final decision.

## **24. REPEAL AND SAVINGS:**

Rules Regarding Grant of Incentives, Concessions and Facilities to Industrial Units in Himachal Pradesh, 1991, 1992 and 1996 notified vide notifications No. 9-4/73-SI(Rules)-4 dated 27/3/91, 31/7/1992, notification number Udyog (Chh)6-96/81-IV dated 22/8/1996 respectively and Rules Regarding Grant of Incentives, Concessions and Facilities to Industrial Units in Himachal Pradesh, 1999 notified vide notification no. IND.A(E)5-1/98 dated 31<sup>st</sup> March, 1999 and all other incentives rules notified earlier as amended from time to time and orders, directions issued thereunder shall upon the commencement of these Rules, save as otherwise expressly provided in these Rules, stand repealed/revised :

Provided that such repeal shall not affect the operation of the incentive rules in respect of the claims, matters and issues pertaining to the period prior to the appointed day (as specified under these rules) and the same shall be governed by the Rules applicable at that time. In other words units set up prior to the appointed day and which were covered under the previous incentive Rules, as notified from time to time, would continue to be governed for the purpose of incentives as provided for under those Rules, for the unexpired period only.

**CATEGORIES OF AREAS FOR THE PURPOSE OF INCENTIVES**

District	Category "A" Areas (excludes Backward Panchayats)	Category "B" Areas (Entire area under the following Development Blocks including left out areas of the Development Blocks indicated under Category 'A' Areas and excludes any Backward Panchayat )	Category "C" Area (Tax Free Zones) (Includes all Tribal Blocks and Development Blocks mentioned under this category and includes all Backward Panchayats located in Blocks under the 'A' and 'B' Category Area)
1	2	3	4
1. Bilaspur		Bilaspur Sadar Ghumarwin Geharwin	
2. Chamba		Bhattiyat Chamba	Bharmour Pangi Tissa Salooni Mehla
3. Hamirpur		Hamirpur Bijhari Nadaun Bhoranj Sujanpur Bamsan	
4. Kangra		Kangra Rait Nagrota Bagwan Panchrukhi Fatehpur Lamba Gaon Baijnath Nagrota Surian Dehra Bhawarna Paragpur Indora Nurpur Sulah	
5. Kinnaur			Kalpa Pooh

1	2	3	4
6.	Kullu	Kullu	Nichar(Babhanagar) Anni Nirmand  Banjar
		Naggar	
7.	Lahaul & Spiti.		Lahaul (Keylong) Kaza (Spiti)
8.	Mandi	Mandi Sadar Sundernagar Rewalsar Gopalpur Darang Chauntra	Seraj Karsog  Chachiot
		Dharampur	
9.	Shimla	Theog Mashobra	Rohru Chopal Chhohara Rampur
		Jubbal Narkanda Basantpur	
10.	Sirmaur	(1) All areas included in Kanungo circles of Majra and Paonta Sahib including Industrial Area Paonta Sahib in Paonta Sahib Development Block. (2) All areas included in Kanungo circles of Nahan including Industrial Area Kala Amb in Nahan Development Block.	Pacchad     Shillai  Sangrah



1	2	3	4
		Rajgarh All Left out Areas (i.e excluding Areas indicated in Category 'A' list) of Dharampur, Nalagarh, Paonta Sahib, and Nahan Development Blocks Kandaghat	
11.	Solan	(1) All Areas included in kanungo circles of Kasauli including Industrial Area Parwanoo in Dharampur Development Block. (2) All Areas included in kanungo circles of Nalagarh and Doon, including Industrial Area/s Baddi, Barotiwala, EPIP etc. in Nalagarh Block.	
12.	Una	Kunihar Solani Amb Gagret Dhundla Una Haroli	

**Note:—**

Category "A" Areas indicated above specifies all areas falling under the Kanungo Circles falling within the respective development blocks but excludes any Backward Panchayats which may fall under the above mentioned Kanungo Circles.. Category "B" Areas include the entire area falling under the Development Blocks indicated in the list above and include under this category any left out areas of the Development Blocks indicated under Category 'A' Areas but exclude any Backward Panchayats. Category "C" Area (Tax Free Zones) include all Tribal Blocks and Development Blocks mentioned under this category and include all Backward Panchayats located in Blocks under the 'A' and 'B' Category Area.

## THRUST INDUSTRY

### (AS REFERRED TO IN RULE 15 OF THESE RULES)

**(This list will not apply in respect of units which may also fall under the category of units listed in Annexure-III )**

1. Units based directly on horticulture produce including hops and tea.
2. Mineral water bottling.
3. Automobile manufacturing units including assembly units which have a minimum of 5 ancillary units substantially dependant on it.
4. Cold storage units/chain.
5. Fruit/vegetable/herbs/ honey/spices based wineries.
6. Production of Ciders/ale/ liqueurs.
7. Sericulture /Handlooms/Khadi indutry related manufacturing industrial activities.
8. Electronic units including computer software and information technology except assembling units where value addition is less than 15%.
9. Floriculture
10. Medicinal herbs and aromatic herbs etc. processing.
11. Horticulture, Maize based industries, herbal based industries and Agro Based Industries excluding those included in the negative list.
12. Food Processing Industry excluding those included in the negative list.
13. Sugar and its by-products.
14. Silk and silk products.
15. Wool and wool products
16. Woven fabrics (Excisable garments)
17. Sports goods and articles and equipment for general physical exercise and equipment for adventure sports/activities, tourism.
18. Paper & paper products excluding those in negative list (as per excise classification)
19. Pharma products.
20. Information & Communication Technology Industry, Computer hardware, Call Centres, I.T. Software and services.
21. Eco-tourism- Hotels, resorts in locations other than those located in the Municipal limits/NAC /Nagar Panchayats/Special Area Development Authority limits, as the case may be of Shimla, Dalhousie, Macleodganj and Manali
22. Spa, entertainment/amusement parks ropeways etc.
23. Industrial gases (based on atmospheric fraction).
24. Handicrafts
25. Non-timber forest product based industries.
26. Precision Industries

**Note:** Products listed from Serial No. 9 to 24 are as reflected in Government of India, Ministry of Industry and Commerce O.M. dated 7-01-04 and as defined by Government of India from time to time.

### NEGATIVE LIST

1. Tobacco and tobacco products including cigarettes and pan masala
2. Thermal Power Plant (coal/oil based)
3. Coal washeries/dry coal processing
4. Inorganic Chemicals excluding medicinal grade oxygen (2804.11), medicinal grade hydrogen peroxide (2847.11), compressed air (2851.30)
5. Organic Chemicals excluding Provitamins/vitamins, Hormones (29.36), Glycosides (29.39), Sugars(29.40)(reproduction by synthesis not allowed as also down stream industries)
6. Tanning and dyeing extracts, tannins and their derivatives, dyes, colours, paints and varnishes, putty, fillers and other mastics, inks
7. Marble and mineral substances not classified elsewhere.
8. Flour Mill/Rice Mill (including Roller flour mills)
9. Foundries using coal.
10. Minerals fuels, mineral oils and products of their distillation; Bituminous substances, mineral waxes.
11. Synthetic rubber products
12. Cement Clinker and Asbestos raw including fibre.
13. Explosive (including industrial explosives, detonators & fuses, fireworks, matches, propellant powders etc.)
14. Mineral or chemical fertilizers
15. Insecticides, fungicides, herbicides & pesticides (basic manufacture and formulation)
16. Fibre glass & articles thereof
17. Manufacture of pulp-wood pulp, mechanical or chemical (including dissolving pulp)
18. Branded aerated water/soft drinks (non-fruit based )
19. Paper  
Writing or printing paper, Paper or paperboard, Maplitho paper, Newsprint, in rolls or sheets, Craft paper, Sanitary towels, Cigarette paper, Grease-proof paper, toilet or facial tissue, Paper & paper board, laminated internally with bitumen, tar or asphalt, Carbon or similar copying paper, products consisting of sheets of paper or paperboard, impregnated, coated or covered with plastics, Paper and paperboard, coated impregnated or covered with wax etc.
20. Plastics and articles thereof.
21. Production of firewood and charcoal.
22. Mini Steel plants induction/ Arc/Submerged furnaces, and/ or rolling mills.

Note: Products listed from Serial No. 1 to 20 are as reflected in Government of India, Ministry of Industry and Commerce O.M. dated 7-01-04 and as defined by Government of India from time to time.

**LIST OF ACTIVITIES OF "SPECIFIED CATEGORY OF ACTIVITIES"  
(REFER RULE 18)**

**(In case, at the time of first registration of any of the activity listed below if such activity is also registerable as SIDO activity by the Department of Industries, in that event such activities will be deemed to have been excluded from this list and would be eligible for incentives only as applicable for 'New Industrial Units' as defined elsewhere under these Rules.)**

1. Production of horticulture plant seeds and nurseries using bio technology/ tissue culture.
2. Production of seeds and plants of herbs, spices, aromatic and medicinal plants using bio technology/ tissue culture.
3. Production of plants and or seeds for propagating agriculture/ horticulture/ floriculture/ sericulture/minor forest produce/medicinal herbs and plants by use of Bio-Technology, micro biology, bio-chemistry, tissue culture, and mist chambers.
4. Production of bio-pesticides.
5. Production of organic fertilizer and vermin compost.
6. Production of organic agriculture and horticulture produce.
7. Production of Honey and related by-products including backward integration activities like bee-keeping.
8. Processing of nuts.
9. Setting up of mechanized grading, packing, washing waxing, sorting, drying, sizing, pelletising facility for processing agriculture/ horticulture/ floriculture/ sericulture produce.
10. Fruit preservation, setting up of pre cooling units and cold storages for agriculture/ horticulture/ floriculture/ sericulture produce.
11. Setting up of Zero Energy Cool chambers, hydro coolers, Reefer vans, Containers( with multi-chamber, multi product facilities).
12. Specialised Transport Vehicles for transportation of agriculture/ horticulture/ floriculture/ sericulture produce.
13. Setting up of ripening curing chamber for agriculture/horticulture/floriculture/ sericulture produce.
14. Setting up of Market yards with Retail outlets and auction platforms for agriculture/horticulture/floriculture/sericulture/Animal Husbandry/Pisciculture produce.
15. Setting up of ropeways for transporting agriculture/horticulture/floriculture/ sericulture produce.
16. Setting up of irradiation, dehydration, vapor heat treatment units for agriculture/ horticulture/ floriculture/sericulture produce.

17. Setting up of primary processing facilities like fermentation, extraction, distillation, vending, pulping, dressing, cutting, chopping, freezing etc. for processing of agriculture/ horticulture/ floriculture/ sericulture produce.
18. Extraction of natural colour dyes from agriculture/ horticulture/ floriculture/ sericulture produce.
19. Setting up of green houses.
20. Setting up of service and farm related management centers for maintenance and servicing of farm machinery and equipment.
21. Setting up of modern state of the art filming and recording studios using IT.
22. Setting up of multiplexes as may be defined by the State Department of Tourism from time to time.
23. Setting up of Specialized Health Institutions as certified as 'Specialized Institutions' by the State Department of Health or Ayurveda.
24. Setting up of housing complexes in the State consisting of a minimum of 20 dwelling units for labour only within a radius of 10 KM's of an established industrial area / estate.
25. Tourism related backward –forward linkage activities (other than Hotels and resorts) in locations other than those located in the Municipal Limits/ NAC / Nagar Panchayats/ Special Area Development Authority limits, as the case may be of Shimla, Dalhousie, Macleodganj and Manali.
26. Any other activity declared by the State Government from time to time.

## **THE DRAFT HIMACHAL PRADESH INDUSTRIAL RENEWAL AND REVIVAL SCHEME, 2004**

### **1. SHORT TITLE:**

**1.1 This Scheme may be called HIMACHAL PRADESH INDUSTRIAL RENEWAL AND REVIVAL SCHEME, 2004** (hereinafter referred to as the 2004 Scheme) for Industrial assets of Small-Scale and Medium & Large scale Industrial units set up in the State.

### **2. COMMENCEMENT AND DURATION:**

**2.1** Unless specifically mentioned against the respective items of incentives sanctioned under the 2004 Scheme, it shall come into effect on and from the 1st day of November, 2004 in the whole of Himachal Pradesh and shall remain valid for a period of five years ending on the 31<sup>st</sup> of October, 2009.

### **3. OPERATION OF THE 2001 SCHEME:**

**3.1** The 2004 Scheme will be operated by DEPARTMENT OF INDUSTRIES of the Government of HIMACHAL PRADESH for the rehabilitation or revival of industrial units in the State.

#### 4. DEFINITIONS:

4.1 in the 2004 Scheme, unless the context otherwise requires :—

- (i) "State Government" means the Government of Himachal Pradesh and "Central Government" means the Government of India.
- (ii) "DOI" means Himachal Pradesh Department of Industries.
- (iii) "Unit" means any "small scale unit" or "medium and large scale unit" registered with Department of Industries set up in the State that is either "closed" "Sick" or "Weak".
- (iv) "Medium & Large Scale Unit" means an industrial unit other than SSI unit and as may be defined as Medium and Large Scale Unit by the Government of India from time to time;
- (v) "Small Scale Unit" means an industrial unit as defined by the Government of India from time to time.
- (vi) "Closed Unit" means an industrial unit that has come into production at least 5 years ago and has remained closed for more than one year.
- (vii) "Sick Unit" means industrial Unit that and that has at the end of any Financial year, accumulated losses equal to or exceeding its net worth.
- (viii) "Net Worth" is the sum total of the paid up capital of the unit and its free reserves;
- (ix) "Weak Unit" means an Unit that is not less than five years old that has incurred cash losses in the last two years;
- (x) "Accepted Rehabilitation Proposal" means a viable proposal for utilizing the industrial assets of a Closed Unit, having the support of the Financial Institutions and/or Banks having interest, that has been accepted by the State Government on the recommendation of the State Level Industrial Revival Forum.

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- (xi) "Accepted Revival Proposal" means a viable proposal for revival of a "Sick", or "Weak" Unit, supported by the Financial Institutions and/or Banks having interest, that has been accepted by State Government on the recommendation of the State Level Industrial Revival Forum.
  - (xii) 'Substantial Expansion' in respect of "closed or Sick Units" means increase by not less than 25% in the value of fixed capital investment in plant & machinery of an industrial unit for the purpose of expansion of capacity/ modernization for the manufacture of the same product and or for diversification of the same unit so as to also manufacture new item/items with an approved capacity;
  - (xiii) "Incentives" means any relief or concessions granted by State Government;
  - (xiv) "Earlier Incentive Schemes" mean any earlier Incentive Scheme administered by the Department of Industries the State Government;
  - (xv) "Eligible Unit" means a Weak/Closed/Sick Unit to which the 2004 Scheme is applicable and the rehabilitation or revival proposal in respect of which has been accepted by State Government and which has as a consequence thereof, been granted eligibility certificate under the 2004 scheme by the DOI.
  - (xvi) "Fixed Assets" means the land, building, plant & Machinery and equipment installed for pollution control measures of the unit.
  - (xvii) "Capital Investment" means investment made in land, building plant and machinery and equipment installed for pollution control measures in respect of any Unit;
  - (xviii) "Year" means, unless otherwise specifically stated and not repugnant to the context, the financial year commencing from the 1st April and ending on the 31<sup>st</sup> March following.
  - (xix) "State Level industrial Revival Forum" means the forum constituted as under for making the recommendations to the State Government for accepting Rehabilitation Proposal & Revival Proposals.



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1. Industries Minister	Chairman
2. Chairman Electricity Board	Member
3. Secretary (Industries)	Member
4. Secretary (Finance)	Member
5. Secretary (MPP & Power)	Member
6. Secretary (Labour)	Member
7. Secretary (Excise & Taxation)	Member
8. Managing Director, HPFC	Member
9. Managing Director, HPSIDC	Member
10. Regional Head, RBI	Member
11. Representative of concerned bank	Member
12. Any other special invitee	Member
13. Director of Industries	Member Secretary

## 5. APPLICABILITY OF THE 2004 SCHEME :

5.1 The 2004 Scheme shall be applicable to all "Closed"/"Sick"/"Weak" units as defined proposing the rehabilitation or revival of such Units and also to the expansion in respect of registered "Closed", "Weak" or "Sick" Units if forming a part of such rehabilitation or revival proposals as accepted by State Government. Such registered Units can be in the private sector, co-operative sector and or joint sector.'

5.2 Incentives disbursed to such Units under any earlier Incentive Schemes shall continue to be governed by the provisions of the registration and sanctions already issued under the respective schemes.

5.3 Provided further that sick Units that have been registered and for which eligibility certificates have been issued in terms of any other Incentives Scheme, but in respect of which no Incentives have been actually disbursed, may opt for registration under the 2004 scheme, if the rehabilitation or revival proposals otherwise fulfill the terms and conditions under the 2004 Scheme.

## 6. ELIGIBILITY CRITERIA FOR THE 2004 SCHEME :

6.1 Any Unit to which this Scheme applies, shall be considered for grant of registration and eligibility certification provided;

- (a) The rehabilitation or revival proposal is submitted to the State Level industrial Revival Forum as a comprehensive scheme duly supported by Financial Institutions and/or Banks having interest, statutory creditors, in acknowledgement of the potential viability of the Unit and such proposal is accepted by State Government;

- (b) The rehabilitation or revival proposal is submitted to the State Level Industrial Revival Forum and has the support of any intending Financial Institutions or Banks in respect of the term-borrowing or working capital requirements under the proposal and such proposal is accepted by State Government.
- (c) The rehabilitation or revival proposal shall also include a substantial investment by the entrepreneur/promoter proposing its rehabilitation or revival.
- (d) No revival proposal shall be considered in respect of "Weak", "Sick" or "Closed" Units under the 2004 Scheme, which in the opinion of the Financial Institutions and/or Banks having interest or an intended interest in them, have become weak or sick or have closed down on account of willful mismanagement, willful default, unauthorized diversion of funds, dispute among promoters/partners or due to internal managerial deficiencies.
- (e) Provided further that no revival proposal shall envisage any Electricity Duty Concession as provided under the 2004 scheme in respect of "Weak", "Sick" or "closed" induction furnace/rolling mills units etc. and other such industries where power is the main raw material.

6.2 The State Government shall have the right to accept either in whole or in part or reject any proposal as at para 6.1 above, or to determine the total quantum of concessions/relief under this scheme solely at its discretion and without assigning any reasons thereof.

## **7. COVERAGE OF ELIGIBLE UNITS UNDER THE 2004 SCHEME :**

7.1 Eligible Units may be granted any or all of the incentives or support measures as the case may be, under the 2004 scheme in the matter outlined below subject to acceptance by State Government of their rehabilitation or revival proposals,

- (a) Grant of a flexible and comprehensive package of incentives or support measures based on the merits of accepted proposals for rehabilitation or revival;
- (b) Laying down of any general or specific conditions for the operation of such a package based on the merits of accepted proposals for rehabilitation or revival.

## **8. CLASSIFICATION OF AREAS :**

- (a) For the purpose of determination of types and quantum of incentives available under the 2004 Scheme to eligible Units, the area of the State shall be classified as Category 'A' , 'B' , 'C' as per Rule 5. of the "Rules Regarding Grant of Incentives, Concessions and Facilities to Industrial Units in Himachal Pradesh, 2004" as amended from time to time.

## **9. INCENTIVES FOR THE REVIVAL OF ELIGIBLE "CLOSED" UNITS :**

9.1 An eligible "closed" Unit which is proposed to be restarted by a new entrepreneur/promoter by either purchasing the unit entirely or after being taken over by new promoters by way of change of 100% management/ promoter directors, and proposing its rehabilitation by way of restarting the unit, bringing in new technology, putting in additional finances in the project will be eligible to be considered for grant of the following concessions:

### **9.1.1 Interest Subsidy :**

Eligible Units can be reimbursed an Interest subsidy to the extent of 25% of the annual interest liability on the loan required to be borrowed from a Commercial Bank/Financial Institution/Co-operative banks/NBFC approved by the Reserve Bank of India for implementing the accepted rehabilitation or revival proposal subject to a limit of Rs. 5 lakhs in case of units located in Category "A" Areas per year and 10 lakhs in case of units located in Category 'B' and 'C' Areas per year depending on the location of the Unit and covering the periods of rehabilitation or revival or as specified below whichever is earlier;

- (a) "Category 'A' Areas"—1 year.
- (b) "Category 'B' and 'C' Areas"—3 years.

### **9.1.2 Waiver of Electricity Duty :**

Eligible Units can be granted the incentive of payment of concessional rate of electricity duty @10Paisa per unit on the electricity consumed for its production activities under the accepted rehabilitation or revival proposal for a maximum period of upto 3 years.

### **9.1.3 Disposal of surplus Land assets :**

Eligible Units can be allowed to unbundle idle and surplus land assets through the participating rehabilitation financial institution to generate augmentable

resources for investment in their rehabilitation or revival, provided it forms a part of means of finance to meet its rehabilitation or revival cost in accordance with an accepted rehabilitation or revival proposal and subject to the fulfillment of conditions as per the existing policy package of State Government or as may be laid down by the Government at the time of giving such permissions.

#### **9.1.4 Rescheduling of arrear Sales Tax dues :**

Eligible Units can be considered for rescheduling the arrears of their sales tax dues by way of deferment upto a maximum period of 5 years of such arrears of Sales tax dues.

### **10. INCENTIVES FOR THE REHABILITATION OR REVIVAL OF ELIGIBLE "SICK" UNITS :**

#### **10.1 Interest Subsidy :**

Eligible Units can be reimbursed an Interest subsidy to the extent of 25% of the annual interest liability on the loan required to be borrowed from a Commercial Bank/Financial Institution/Co-operative banks/NBFC approved by the Reserve Bank of India for implementing the accepted rehabilitation or revival proposal subject to a limit of Rs. 5 lakhs in case of units located in 'A' Category Areas per year and Rs. 10 lakhs in case of units located in 'B' and 'C' Category Areas per year depending on the location of the Unit and covering the periods of rehabilitation or revival or as specified below whichever is earlier;

- (c) Category 'A' Areas—1 year.
- (d) Category 'B' and 'C' Areas—3 years.

#### **10.3 Exemption from Payment of Electricity Duty :**

Eligible Units can be granted exemption from payment of duty on the electricity consumed for its production activities under the accepted rehabilitation or revival proposal for a maximum period of upto 5 years.

#### **10.4 Disposal of surplus Land assets :**

Eligible Units can be allowed to unbundle idle and surplus land assets through the participating rehabilitation financial institution to generate augmentable resources for investment in their rehabilitation or revival, provided it forms a part of means of finance to meet its rehabilitation or revival cost in accordance with an accepted rehabilitation or revival proposal and subject to the fulfillment of conditions

as per the existing policy package of State Government or as may be laid down by the Government at the time of giving such permissions.

#### **10.5 Rescheduling of arrear Sales Tax dues :**

Eligible Units can be considered for rescheduling the arrears of their sales tax dues by way of deferment upto a maximum period of 5 years of such arrears of Sales tax dues.

#### **10.6 Consideration for the concessional rate of GST & CST :**

Eligible Units can be considered for the concessional rate of GST & CST on their product by the State Government so as to ensure that the rate of GST and CST is at par with those prevailing in the adjoining States and that it is necessary for their rehabilitation or revival provided it forms a part of an accepted rehabilitation or revival proposal and is specifically recommended by the 'State Level Industrial Revival Forum'.

### **11. SUPPORT MEASURES FOR THE REVIVAL OF ELIGIBLE "WEAK" UNITS :**

#### **11.1 Exemption from payment Electricity Duty :**

Eligible Units can be granted exemption from payment of duty on the electricity consumed for their manufacturing activities for a period of 3 years or the period of revival, whichever is earlier under the accepted revival proposal.

#### **11.2 Disposal of Surplus Land assets :**

Eligible Units can be allowed to unblock their idle and surplus land assets through the participating rehabilitation financial institution to generate augmentable resources for investment in its revival provided it forms a part of means of finance to meet its rehabilitation or revival cost in accordance with an accepted revival proposal and subject to the fulfillment of conditions as per the existing policy package of State Government.

#### **Consideration for the concessional rate of GST & CST :**

11.3 Eligible Units can be considered for the concessional rate of GST & CST on their product by the State Government so as to ensure that the rate of GST

and CST is at par with those prevailing in the adjoining States and that it is necessary for their rehabilitation or revival provided it forms a part of an accepted rehabilitation or revival proposal and is specifically recommended by the 'State Level Industrial Revival Forum'.

## **12. POWER TO AMEND:**

12.1 Notwithstanding anything contained in any of the provisions of the 2004 scheme, the State Government may at any time—

- (a) Make any amendment to this Scheme;
- (b) Make any relaxation in applying the provisions of this Scheme but such relaxation shall be effected on the merits of the approved scheme in each case;
- (c) May issue instructions and guidelines to facilitate implementation, to remove anomalies and to clarify the interpretations of the provisions of the Scheme.